

## **2019 EXIT HANDBOOK - TABLE OF CONTENTS**

- Chapter 1** - Federal Stafford Loan Program (Subsidized and Unsubsidized)
- Chapter 2** - Federal Graduate Plus Loan
- Chapter 3** - PUT Loans (Loan Purchase Commitment Program)
- Chapter 4** - Deferment Provisions; In-School Deferment For Dental Residents; Forbearance Provisions; Cancellation Provisions and On-Line Forms
- Chapter 5** - Federal Perkins Loan; Health Professions Student Loans (HPSL); Loans for Disadvantaged Students (LDS); Primary Care Loans (PCL)
- Chapter 6** - New Jersey College Loans to Assist State Students (NJCLASS)
- Chapter 7** - Alternative Loan Programs
- Chapter 8** - Loan Consolidation
- Chapter 9** - Loan Repayment/Forgiveness Programs
- Chapter 10** - What A Borrower Should Know About Repayment (Q&A)
- Chapter 11** - Delinquency and Default Student's Responsibility
- Chapter 12** - Effective Communication
- Chapter 13** - Federal Student Aid Ombudsman
- Chapter 14** - RBHS Student Financial Aid Website

### **Appendix**

Directory of Important Contacts  
Useful Financial Aid Resources

# CHAPTER 1

## **FEDERAL DIRECT LOAN PROGRAM SUBSIDIZED and UNSUBSIDIZED**

### **GRACE PERIOD**

- 6 months immediately following last date of attendance.

### **RATES FOR GRADUATE STUDENTS**

- All loans disbursed after July 1, 2006 and before July 1, 2013 will have a fixed interest rate of 6.8%.
- All loans disbursed on or after July 1, 2013 and before July 1, 2014 will have a fixed interest rate of 5.41%.
- All loans made on or after July 1, 2014 and before July 1, 2015 will have a fixed interest rate of 6.21%.
- All loans disbursed on or after July 1, 2015 and before July 1, 2016 will have a fixed rate of 5.84%.
- All loans disbursed on or after July 1, 2016 and before July 1, 2017 will have a fixed rate of 5.31%.
- All loans disbursed on or after July 1, 2017 and before July 1, 2018 will have a fixed rate of 6%.
- All loans disbursed on or after July 1, 2018 and before July 1, 2019 will have a fixed rate of 6.6%.
- All loans disbursed on or after July 1, 2019 and before July 1, 2020 will have a fixed rate of 6.08%.
- All loans disbursed on or after July 1, 1994 through June 30, 2006 – variable rate changes on July 1st, capped at 8.25% unless loans are included in a consolidation prior to July 1, 2006.
- Once in repayment, the previous in-school, grace or deferment rate may increase slightly.
- The accrued interest for the Federal Unsubsidized Stafford loan will capitalize once in repayment.
- The repayment period for your Federal Stafford's begins the day after the expiration of the grace period.

### **SETTING UP REPAYMENT**

- Borrower's responsibility to contact lender/servicer during 2nd month of grace period. First payment is due in the 7th month after leaving school.

**For all loans, be sure your lender/servicer is granting a grace period in addition to any deferment or forbearance time.**

### **REPAYMENT PLAN**

There are different types of repayment options. If the borrower does not select an income driven or graduated payment plan within 45 days of the start of repayment, the repayment plan will automatically become a standard repayment plan.

Maximum repayment period is 10 years (excludes any period of authorized deferment or forbearance).

#### ***Standard Repayment***

- Installment amount will be the same each month. However, the installment amount may be adjusted annually to reflect annual changes in the interest rate.
- Maximum repayment period is 10 years (excludes any period of authorized deferment or forbearance).

#### ***Graduated Repayment***

- Monthly payment amount gradually increases over the repayment period (no single installment is more than three times greater than any other installment: three-time rule).
- Payment is not based on borrower's income.

- Maximum repayment period is 10 years (excludes any period of authorized deferment or forbearance).

***Income Sensitive Repayment (FFELP Loan Borrowers Only)***

- Monthly payment amount based on borrower’s expected total monthly gross income (does not include spouse’s income).
- Lender will determine whether the borrower qualifies. Annual adjustment may be made to borrower’s repayment schedule.
- Maximum repayment period is 10 years (excludes any period of authorized deferment or forbearance). Lender must grant forbearance if decreased installments would result in loan not being repaid within the maximum repayment period.

***Income Contingent Repayment (Direct Loan Borrowers Only)***

- Payments are adjusted annually, based on borrower’s household income, family size and total loan debt.
- Not available for PLUS loan payments.
- Maximum 25-year repayment period.

***Extended Repayment***

- Available to new borrowers on or after October 7, 1998.
- Outstanding balance or principal and interest in FFELP loans more than \$30,000.
- Outstanding balances or principal and interest in Direct loans more than \$30,000.
- Payments may be fixed or graduated.
- Standard or graduated installments not to exceed 25 years.

***Income-Based Repayment***

- Monthly payment based on 10% of your discretionary income.
- After 20 years of qualifying payments, any remaining balance on the loan will be forgiven, although you may have to pay taxes on the amount forgiven
- The IBR is not available for repayment of Federal PLUS, consolidation loans that include PLUS Loans, private loans and other loans that are not guaranteed by the federal government.

Repayment Option	Monthly Payment	Number of Payments	Maximum Term	Total Payments	Total Interest
Standard	\$2,600	120	10 Years	\$307,000	\$157,000
Graduated	\$1,300 \$3,000	24 96	10 Years	\$319,000	\$169,000
Income-Sensitive*	\$1,300 \$3,300	36 84	10 Years	\$325,000	\$175,000
Income-Contingent	\$2,600 to \$3,400	99	8.4 Years	\$295,000	\$145,000
Extended	\$1,500	300	25 Years	\$463,000	\$313,000
Income-Based	\$1,900 to \$2,600	150	12.5 Years	\$340,000	\$190,000

\*You must apply annually for Income-Sensitive option.

***Assumptions: Student borrowed \$150,000 (\$34,000 Subsidized, \$116,000 Unsubsidized) over four years of medical school. Loans have a 6-month grace period with capitalization of all accrued interest occurring at the end of the grace period. Borrower chooses Forbearance during 4-year residency; interest rates are fixed at 6.8%.***

***Revised Pay As You Earn (REPAYE) Repayment***

- Income-driven repayment plan making it easier to repay your student loans at the lowest payment option possible.

- Monthly payments based on 10% of your discretionary income.
- Borrowers with undergraduate loans will be forgiven after 20 years of qualifying payments, although this amount may be taxable.
- Borrowers with graduate or professional loans will be forgiven after 25 years of qualifying payments, although this amount may be taxable.
- If you work for a nonprofit organization, your balance will be forgiven after 10 years of 120 eligible payments and the amount will not be taxable.
- REPAYE is not available for Parent PLUS loans, defaulted loans and private loans.

### ***Pay As You Earn Repayment***

This plan usually has the lowest monthly payment of the repayment plans that are based on your income. Your payment amount may increase or decrease each year based on your income and family size. To qualify for pay as you earn, you must have a partial financial hardship. You have a partial financial hardship if the monthly amount you would be required to pay on your eligible federal student loans under a 10-year standard repayment plan is higher than the monthly amount under pay as you earn. Once you've qualified for pay as you earn, you may continue to make payments under the plan even if you no longer have a partial financial hardship. For this purpose, your eligible student loans include Direct Loans as well as certain types of Federal Family Education Loan (FFEL) Program loans. Although your FFE loans cannot be repaid under pay as you earn, the following types are counted in determining whether you have a partial financial hardship:

- Subsidized and Unsubsidized Federal Stafford Loans
- Federal PLUS Loans made to graduate or professional students
- Federal Consolidation Loans that did not repay any PLUS loans for parents

You also must be a new borrower as of Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011. You are a new borrower if you had no outstanding balance on a Direct Loan or FFELP loan as of Oct. 1, 2007, or had no outstanding balance on a Direct Loan or FFE loan when you received a new loan on or after Oct. 1, 2007.

### **BORROWER'S FAILURE TO SET REPAYMENT**

Any borrower who fails to set up a repayment schedule before the expiration of the grace period is responsible for all accrued interest from that point until conversion to installment is complete.

**DEFERMENT; PROVISIONS; FORBEARANCE; CANCELLATION: See Chapter Four**

## **CHAPTER 2**

### ***FEDERAL DIRECT GRADUATE PLUS LOAN***

#### **GRACE PERIOD**

- There is no grace period; the repayment period begins immediately following graduation.

#### **SETTING UP REPAYMENT**

- Borrower's responsibility to contact lender/servicer no less than thirty days prior to graduation.

#### **RATES AND REPAYMENT PERIOD**

- 10-25 years depending on repayment option chosen and amount owed.
- Deferment and forbearance options are available. Mandatory forbearance must be granted for medical and dental internship and residency.
- Loans disbursed July 1, 2006 – June 30, 2013, the interest rate is fixed at 7.9% for the life of the loan.
- Loans disbursed July 1, 2013 – June 30, 2014, the interest rate is fixed at 6.41% for the life of the loan.
- Loans disbursed July 1, 2014 – June 30, 2015, the interest rate is fixed at 7.21% for the life of the loan.
- Loans disbursed July 1, 2015 – June 30, 2016 will have a fixed interest rate of 6.84%.
- Loans disbursed July 1, 2016 – June 30, 2017 will have a fixed interest rate of 6.31%.
- Loans disbursed July 1, 2017 – June 30, 2018 will have a fixed interest rate of 7%.
- Loans disbursed July 1, 2018 – June 30, 2019 will have a fixed interest rate of 7.6%.
- Loans disbursed July 1, 2019 – June 30, 2020 will have a fixed interest rate of 7.08%.
- This is an unsubsidized loan; the accrued interest will capitalize once at repayment.

#### **CONSOLIDATION**

- GRADUATE PLUS loans may be consolidated at a fixed rate with other federal student loans. Consolidation interest rates are based on the weighted average of these loans. Additional information regarding Federal Loan Consolidation can be found at <https://studentaid.ed.gov/sa/repay-loans/consolidation>.

#### **DEATH/DISABILITY**

- GRADUATE PLUS loans can be discharged upon death of borrower or if borrower becomes totally and permanently disabled.

**DEFERMENT; PROVISIONS; FORBEARANCE; CANCELLATION: See Chapter Four**

## **CHAPTER 3**

### ***PUT LOANS (Loan Purchase Commitment Program)***

#### **DESCRIPTION**

The Ensuring Continued Access to Student Loans Act of 2008, or ECASLA provides the Federal Department of Education (DOE) with new authority to purchase and service certain Stafford and Graduate and Parent PLUS loans from original lenders. Your loans are sold or “PUT”, as it is normally called to the Department of Education.

#### **PURPOSE**

Provides liquidity for the lenders/banks which will enable them to provide subsequent Stafford and PLUS loans to students/parents.

#### **REGULATIONS**

Only certain loans are eligible and sale of loans is at the discretion of the servicer. Eligible loans are:

- 2008-09 AY loans first disbursed on/after May 1, 2008 & fully disbursed by September 30, 2009.
- 2009-10 AY loans first disbursed on/after May 1, 2009 & fully disbursed by September 10, 2010.

Program end dates are October 15, 2009 for 2008-09 and September 30, 2010 for 2009-10 loans. Selling lender must request the purchase 45 days prior to the purchase date. Loans must be fully disbursed to be purchased.

Purchase price is current principal balance and interest owed by borrower plus reimbursement of 1% lender fee and a flat \$75 per loan.

Loans excluded from being purchased are Consolidation, Defaulted 210 or more days delinquent and loans with borrower benefits other than upfront fee payments or a .25% interest rate reduction.

For a 9-day period to the sale date, no adjustments can be made other than cancellation.

#### **EFFECTS OF PROGRAM ON BORROWERS**

- PUT loans can be consolidated
- Borrowers will have multiple servicers—and multiple payments
- Subsequent loans to original lender will be no problem as MPN remains serialized
- If in repayment, an automatic debit payment plan will have to be done with DOE Servicer.
- A PUT loan remains a FFELP loan. No change to original loan agreements.
- DOE and your original lender will both be informing borrower of DOE purchase of loans
- Default prevention activities are not available

Be sure to **open and read all** mail!

#### **WHO TO CONTACT**

- Borrowers should contact DOE Servicer @ 800-508-1378
- Use NSLDS website to track all your federal loans – [www.nsls.ed.gov](http://www.nsls.ed.gov)
- To manage loans (including making payments and downloading forms) that were sold to DOE visit [www.ed-servicing.com](http://www.ed-servicing.com). Register an account online by clicking “Borrower Login” and selecting a user name and a secure password.
- For loan sales during the 2008-09 period the servicer will be:

Department of Education Student Loan Servicing Center

PO Box 7063

Utica, NY 13504-7063

Phone: 1-800-508-1378

Fax: 1-866-938-4751

Business hours are 8:00 am to 11:00 pm ET – Monday through Friday

## CHAPTER 4

### **DEFERMENT, FORBEARANCE, & CANCELLATION PROVISIONS**

#### **ABOUT DEFERMENT**

A deferment is a period during which repayment of the principal and interest of your loan is temporarily delayed; interest is only delayed during deferment for Subsidized Loans. Deferments allow borrowers to postpone regular loan payments for a period of time. Deferment privileges vary by loan program. A deferment can be granted up to six months. During deferment, the borrower is not required to pay loan principal nor the interest accruing on the loan. The following table will determine your eligibility for a loan deferment.

The following additional deferments of repayment for a Stafford Loan apply only to new borrowers. FOR THESE DEFERMENTS, a new borrower is one who, on the date the promissory note is signed, has no outstanding balance on a FFEL Program loan made before July 1, 1987 for a period of enrollment beginning before July 1, 1987. (Note that a borrower with NO outstanding FFEL Program loans may be subject to the deferments for new borrowers with loans disbursed on or after July 1, 1993, depending on the borrower's status on his or her loan application date, and on the first disbursement date of the loan.)

Deferments for new borrowers with loans first disbursed on or after 7/1/93

The following deferments of repayment apply to borrowers of FFEL program loans who are new borrowers (meaning a borrower with no outstanding balance on ANY FFEL Program loan) on the date the loan application is certified, and whose first disbursement of the loan is made on or after July 1, 1993. This category of new borrowers also includes those who obtain Federal Consolidation Loans on or after July 1, 1993 if these borrowers have no other outstanding FFEL Program Loans when these Consolidation Loans are made.

Deferments are authorized for – at least half-time study at an eligible school; study in an eligible graduate fellowship program, including study outside the United States; study in an approved rehabilitation training program for the disabled; up to three years during periods in which the borrower is seeking and unable to find full-time employment.

<b>Situations When You May Apply for Deferment</b>	<b>Deferment Available? (and for how long, if applicable)</b>		
	<b>Direct Loans/FFEL loans/Perkins Loans</b>		
During a period of at least half-time enrollment in college or career school	Yes	Yes	Yes
During a period of study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled	Yes	Yes	Yes
During a period of unemployment or inability to find full-time employment	Yes (for up to 3 years)	Yes (for up to 3 years)	Yes (for up to 3 years)
During a period of economic hardship (includes Peace Corps service)	Yes (for up to 3 years)	Yes (for up to 3 years)	Yes (for up to 3 years)
During a period of service qualifying for Perkins Loan <i>discharge/cancellation</i>	No	No	Yes
During a period of active duty military service during a war, military operation, or national emergency	Yes	Yes	Yes



<p>During the 13 months following the conclusion of qualifying active duty military service, or until you return to enrollment on at least a half-time basis, whichever is earlier, if you are a member of the National Guard or other reserve component of the U.S. armed forces and you were called or ordered to active duty while enrolled at least half-time at an eligible school or within six months of having been enrolled at least half-time</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>
---	------------	------------	------------

Eligibility requirements for qualified deferments differ based on loan type and the date the loan was originated. Please refer to your lender, servicer, and/or promissory note to determine which deferments might be eligible for each of your existing loan(s). For a more complete listing of eligible deferments, please click on your loan servicer's website or visit the [Department of Education's Direct Loan website](#).

The grace period for each of your loans must be used before you can obtain deferments. Submit deferment forms (which can be downloaded from your loan servicers' websites) to EACH of your loan servicers about a month before the grace period ends. Follow-up with each loan servicer to ensure your deferment status has been approved.

**EDUCATION RELATED DEFERMENT**

***1) Graduate Fellowship Deferment***

If you are engaged in a full-time course of study in a qualified graduate fellowship program, you may be eligible to qualify for an education related graduate fellowship deferment. Your fellowship program must provide financial support to allow for full-time study for at least six months. A graduate fellowship program official must certify your deferment form indicating that you meet all the eligibility requirements. You may download this deferment form from your loan servicer(s). If you are applying for a graduate fellowship deferment, ensure you send the deferment form to ALL of your loan servicers. In addition, we suggest following up with your loan servicers to confirm that your deferment has been approved. For more information, please contact your loan servicer and/or view the [Department of Education's Direct Loan website](#) for more details.

***2) In-School Deferment***

In-school deferment allows you to temporarily suspend student loan payments while you are enrolled in an eligible school at least half-time. In order to determine your loan servicers for your federal loans, log onto [nslds.ed.gov](http://nslds.ed.gov) to obtain contact information for all of your federal loan servicers. Perkins loans' borrowers should contact the institution from where the loan was originated. Again, it is essential you follow-up to ensure your loan status has been adjusted base on your request.

**IN-SCHOOL DEFERMENT FOR DENTAL RESIDENTS**

An In-School deferment applies only to dental residents if they are doing their dental residency at an institution of higher education or at a hospital affiliated with an institution of higher education that can certify the enrollment and in- school status of borrower. Dental students in a residency program may receive "in-school" deferment. If eligible, the borrower may receive the two-year internship or residency deferment and subsequently must be granted forbearance of principal for the remainder of the internship/residency program. The institution at which the residency is performed or with which the hospital is affiliated must consider the dental resident to be a student enrolled on at least a half-time basis. The institution's enrollment records must reflect this status through registration records and/or tuition charges. A dental resident's in-school deferment would cover only the period during which the institution considered the resident enrolled as at least a half-time student. Conditions necessary for a dental resident to receive in-school deferment on qualified student loans: In-School Deferment Dental residents must be proactive in ensuring they receive an in-school deferment if they are entitled to receive

one. Servicers must grant an in-school deferment based on enrollment and in-school status of a borrower as certified by an institution of higher education or an affiliated hospital. It is anticipated servicers will be able to determine the borrower's eligibility for the deferment based on either of the following: a newly completed loan application which documents the borrower's eligibility for the deferment or the student status information received by the servicer indicating the borrower is enrolled at least half-time. Again, dental residents must double-check to ensure this is reflected in the borrower's record at the hospital or institution. If the servicer defers the loan based on a loan application or enrollment status information, the servicer must notify the borrower the deferment was granted and provide the option of continuing repayment.

Dental residents attending non-affiliated programs: Non-affiliated programs are at institutions which do not participate in the federal student financial aid programs. Dental residents attending non-affiliated programs can still apply for an Economic Hardship Deferment. We estimate most dental residents will qualify for this deferment.

Once in-school and/or economic hardship deferments are exhausted, dental residents may be eligible to apply for forbearance. In each instance, residents would not be required to pay student loan bills during dental residency training.

- A dental resident participating in a hospital-based residency program not affiliated with an institution of higher education is not eligible for an in-school deferment because the resident cannot be considered an enrolled student at an eligible institution.

### **Economic Hardship Deferment**

Economic hardship deferment (EHD) is still available for borrowers, but the criteria used to qualify for this option changed on July 1, 2009. If you were eligible previously, this EHD option, also known as the "20/220 rule," allowed you to defer your federal loans, including Stafford Subsidized and Unsubsidized loans, federal consolidated loans, Graduate Plus loans, and Perkins loans during your residency. Based on the newly defined criteria, most medical and dental residents' salaries exceed the maximum income allowed to qualify for an economic hardship deferment. Qualification generally depends on borrower income, family size, and the poverty guidelines for the borrower's family size and state. Another new requirement to be eligible; you must work full-time (equivalent to an annual average of 30 hours per week in a position expected to last at least three consecutive months). Please contact your loan servicer or lender to see if you qualify for an EHD. To read more about economic hardship deferment and to determine if you might qualify, please go to [Department of Education's Direct Loan website](#). Economic hardship deferment is available for one year increments up to a maximum of three years. (If you are unemployed, you should instead consider an unemployment deferment. Contact your loan servicer for more details).

**For those of you in residency, repayment alternatives to economic hardship deferment include:**

#### **1) Income-Based Repayment (IBR) Plan**

IBR is a repayment plan offered in place of the economic hardship deferment option. This repayment plan is a good option for borrowers who have high educational debt to income ratios (most residents qualify). IBR will cap the amount of your monthly payment based on household income and family size.

Essentially, if you qualify for a partial financial hardship (and you must re-apply every year to qualify), you will never have to pay more than 15% of your monthly discretionary income on your monthly student loan payments. The unpaid interest on your Stafford subsidized loans will also be paid by the government for the first three years that you are in IBR. For more information about income driven repayment plans. Visit the [Department of Education's Direct Loan website](#). page Other valuable resources include the [Department of Education's calculator](#).

### **Pay as You Earn (PAYE) PLAN**

PAYE is available to Direct student loan borrowers who received their first disbursement after September 30, 2007 and had another after September 30, 2011 family size and income is used to determine eligibility

### **Revised Pay as You Earn (REPAYE) PLAN**

REPAYE was revised October 27, 2015 allows borrowers to cap their monthly loan repayment at 10% of their discretionary income, regardless of when they borrowed or their debt to income ratio. The remaining loan balance will be discharged after making 20 years of payments.

### **Income Contingent Repayment (ICR) PLAN**

ICR is designed to make repaying easier for student who intend to pursue jobs with lower salaries. The maximum repayment is for 25 years. If any debt remains after 25 years, the amount of the debt is forgiven treated as taxable income. If the borrowers become married, it combines the income of both spouses

### **Unemployment Deferment**

If you are actively seeking but unable to find employment and are registered with a public or private employment agency, you may qualify for an unemployment deferment. Alternatively, if you are eligible for unemployment benefits, you may also be eligible for an unemployment deferment. Contact your loan servicer and/or view the [Department of Education's Direct Loan Servicing website](#) for more details.

### **Military Service or Post-Active Duty Deferments**

In general, military service members on active duty during a war may be eligible for a military deferment, and there is no time limit established for a military deferment. However, some borrowers called to active duty may not be eligible. For more information on military service and post-active duty deferments, please contact your loan servicer and/or view the [Department of Education's Direct Loan Servicing website](#) for more details.

### **Making Payments During Deferments**

Making a loan payment during a period of grace, deferment or forbearance can greatly lower the total amount you pay over the life of your loan. For Stafford Subsidized loans which interest is not charged during grace or deferment, any payments you make during this period will reduce your principal balance. When interest begins to accrue, it will be based on a smaller balance, thus reducing the total interest you have to pay.

### **What Happens After Deferment Ends?**

Once the deferment period ends, repayment on most student loans begin. If you are a medical resident and borrowed for the first time on or after July 1, 1993, you may obtain medical residency forbearance as soon as your grace period ends. Again, forbearance is the most expensive option for you and should only be elected if you cannot afford to make payments through the more affordable payment plan, IBR. During the process of applying for forbearance, continue to make payments and do not assume forbearance has been approved until you receive written confirmation from your lender or loan servicer. Remember that interest accrues on both your subsidized and unsubsidized loans during the forbearance period, thus increasing the total amount owed and the monthly installments once repayment begins.

### **New definition of economic hardship**

Up to three years during periods that the lender determines will cause the borrower economic hardship. Economic hardship exists when the borrower is receiving payment under a federal or state public assistance program, or is working full time and is earning a total monthly gross income that does not

exceed the greater of: a) the minimum wage; or, b) the poverty line for a family of two, as determined in Section 673(2) of the Community Service Block Grant Act.

The borrower may instead meet other criteria used to determine economic hardship. Specifically, the borrower may qualify if he or she is working full-time and has a federal educational debt burden (including defaulted loans) that is at least 20 percent of the borrower's total monthly gross income; this income is based on full- and part-time employment and revenue received from all other sources.

The borrower's income, minus the educational debt burden, must be less than 220 percent of the total monthly gross amount associated with minimum wage rate work or earnings equal to 100 percent of the poverty line for a family of two. In addition, a borrower may receive an economic hardship deferment under FFEL if the borrower has been granted an economic hardship deferment under either the Federal Direct Loan Program or the Federal Perkins Loan Program for the same period of time for which the FFEL economic hardship deferment is requested.

## **DEFERMENT PROVISIONS**

### **Federal Direct Stafford Subsidized/Unsubsidized loan**

Authorized deferment(s) must not be granted until the grace period expires. Deferment(s) are not automatic; the borrower must apply annually through their servicer. A borrower must provide the required documentation to verify his/her eligibility. No interest is accruing during period of deferment. Deferments do not decrease repayment time. If a loan is in default, the borrower is not eligible for any deferments unless the borrower has made acceptable repayment arrangements with the servicer prior to the payment of a default claim by a guarantee agency.

**Loans Disbursed after 07/01/93** Refers to loans first disbursed on or after 07/01/93 to borrowers who have no outstanding Federal Direct Loans on the date they signed the promissory note.

- At least half-time student at an eligible post-secondary school.
- Study in an eligible graduate fellowship program or in a rehabilitation training program for the disabled.
- Seeking and unable to find full-time employment - up to 3 years.

**Forbearance** is a temporary cessation or reduction of payments while interest continues to accrue on your account. It is mandatory under certain conditions and is excluded from the period of repayment. To apply for forbearance call your Servicer to find out if they have a special form for the forbearance process. Borrowers must be willing but unable to make scheduled loan payments. Request for forbearance must be made in writing and circumstances documented. Other than mandatory forbearance, Servicers have the option to grant or decline a request.

Forbearance is the most costly alternative available to you during your lean residency years because interest accrues on both your subsidized and unsubsidized loans. However, forbearance might be your only viable option should you wish to avoid making payments altogether during residency. During the process of applying for forbearance, continue to make payments and do not assume forbearance has been approved until you receive written confirmation from your lender or loan servicer.

## **FORBEARANCE PROVISIONS**

### **Discretionary Forbearance**

Granted at the Servicer's discretion for temporary financial difficulty such as poor health or unanticipated personal problems. Borrower can be eligible for a reduction in the amount of the payment. Eligibility is granted for periods of time not to exceed 12 months.

**Administrative Forbearance**

Administrative forbearance does not require the agreement of the borrower, and may be granted by Servicer only under specified conditions when payment of interest and principal is overdue. It automatically becomes effective upon notification to the borrower. Interest continues to accrue.

**Mandatory Forbearance**

Borrower serving in a medical or dental internship or residency program. If a borrower's FFELP/Direct loan payments equal or exceed 20% of his or her total monthly income. Granted in twelve month increments. Time limit of 36 months (except Internship/Residency). Borrower receives a National Service Educational Award under the National Community Service Trust Act of 1993. Borrower performing service that qualifies for partial repayment of loan under Department of Defense's Student Loan Repayment Program.

**Mandatory Administrative Forbearance**

Exceptional circumstances exist such as a local or national emergency or military mobilization. Variable interest rate on standard or graduated repayment schedule would result in loan not being repaid within maximum repayment period. Up to 5 years when an income-sensitive repayment schedule causes the extension of the maximum repayment terms. Changes to FFELP/Direct regulations may provide for other conditions for which forbearance may be granted. For additional information check with your Servicer. NO ADMINISTRATIVE OR OTHER FEE SHALL BE CHARGED FOR GRANTING FORBEARANCE. ALSO, NO ADVERSE INFORMATION SHALL BE GIVEN TO CREDIT BUREAUS BECAUSE OF THE FORBEARANCE.

**Cancellation Provisions**

If a borrower dies or becomes totally and permanently disabled, the guarantee agency will pay the borrower's obligation for principal and interest, and the holder of the loan may not collect the loan from an endorser, or from the borrower's estate. A death certificate or certification of permanent disability from a physician is required for loan cancellation.

Be sure to keep copies of all forms and correspondence related to the deferment and request a written confirmation of the deferment. While waiting for a deferment to be granted, regularly scheduled payments must be sent! If the maximum amount of time allowed for a particular type of deferment, has been fully exhausted, the borrower will not be eligible for additional deferments of that type. However, if all the borrower's loans are paid in full (except through consolidation) and the borrower subsequently obtains a new loan, the borrower is eligible for all deferments applicable to that loan despite any previous periods of deferment.

<b>Direct Loan Program/FFEL Program Loan Cancellation and Payment by ED Loan Cancellation</b>	
<ul style="list-style-type: none"> <li>Student on whose behalf a parent borrowed a Direct Plus or Federal PLUS Loan dies, or parent dies (1) Eligibility Criteria. Borrower dies (1) For cancellation of a Federal PLUS due to the dependent student's death</li> </ul>	Student on whose behalf a parent borrowed a Direct Plus or Federal PLUS Loan dies, or parent dies (1) Eligibility Criteria. Borrower dies (1) For cancellation of a Federal PLUS due to the dependent student's death
<ul style="list-style-type: none"> <li>Borrower becomes totally and permanently disabled (1) Borrower not considered totally and permanently disabled if condition existed at time loan was applied for, unless that condition substantially deteriorated after the loan was</li> </ul>	Borrower becomes totally and permanently disabled (1) Borrower not considered totally and permanently disabled if condition existed at time loan was applied for, unless that condition substantially deteriorated after the loan was made

made	
<ul style="list-style-type: none"> <li>Borrower or student on whose behalf a parent borrowed is unable to complete program of study due to closing of school Cancellation also applies if student withdrew within 90 days (or longer in exceptional circumstances) of date of school's closure. Cancellation does not apply if student able to complete his/her program: · through a teach-out arrangement at another school; or · by transferring credits earned at closed school to another eligible institution.</li> </ul>	<p>Borrower or student on whose behalf a parent borrowed is unable to complete program of study due to closing of school Cancellation also applies if student withdrew within 90 days (or longer in exceptional circumstances) of date of school's closure. Cancellation does not apply if student able to complete his/her program:</p> <ul style="list-style-type: none"> <li>through a teach-out arrangement at another school; or by transferring credits earned at closed school to another eligible institution.</li> </ul>
<ul style="list-style-type: none"> <li>School falsely certified borrower's or student's (on whose behalf a parent borrowed) eligibility Loan eligibility</li> </ul>	<p>School falsely certified borrower's or student's (on whose behalf a parent borrowed) eligibility. Loan eligibility considered falsely certified if school:</p> <ul style="list-style-type: none"> <li>admitted student under ability to benefit even though student did not meet ability-to-benefit requirements and student could not find employment in the occupation for which training was provided</li> <li>signed borrower's authorization</li> <li>endorsed borrower's loan check or EFT authorization and borrower did not receive or benefit from the loan proceeds</li> <li>certified the eligibility of a student who did not have the ability to benefit from the training at the time of enrollment, because of a physical or mental condition, age, criminal record, or other reasons accepted by ED, and would not meet the requirements for employment (in the student's state of residence when the loan was certified) in the occupation for which the training program supported by the loan was intended.</li> </ul>
<ul style="list-style-type: none"> <li>Borrower's obligation to repay the loan Is stayed by a bankruptcy court (1)</li> </ul>	<p>If loan is not ultimately discharged in bankruptcy, it again becomes the borrower's obligation. Payment by ED or Guaranty Agency Eligibility Criteria Comments</p>

## **CHAPTER 5**

### ***FEDERAL PERKINS, HEALTH PROFESSIONAL STUDENT LOANS (HPSL); LOANS FOR DISADVANTAGED STUDENTS (LDS); PRIMARY CARE LOANS (PCL)***

#### **FEDERAL PERKINS STUDENT LOAN**

##### **GRACE PERIODS**

A grace period is the period of time before the borrower must begin or resume repaying a loan. There are two kinds of grace periods:

- Initial grace period – A Perkins borrower is entitled to an initial grace period 9 consecutive months after dropping below ½ time enrollment. If the borrower who returns to school on at least ½ time basis before the 9 months have elapsed, the initial grace period has not been used. The borrower will be entitled to a full initial grace period (9 consecutive months) from the date that they graduate, withdraw, or drop below ½ enrollment again.
- Post-deferment grace period – is the period 6 consecutive months that immediately follows the end of a period of deferment and precedes the date on which the borrower must resume repayment on the loan. Neither the deferment nor the grace period is counted as part of the 10-year repayment period.

##### **FORBEARANCE**

- Forbearance is usually a temporary postponement of payments. Forbearance is available for all loans made under the Federal Perkins Loan program, regardless of when they are made. The borrower may alternatively request an extensions of time allowed for making payments or the acceptance of smaller payments than were previously scheduled.
- Schools may grant forbearance to borrowers who are experiencing financial hardship, poor health, or for other acceptable reasons. For example, the Department strongly encourages schools to grant periods for forbearance to borrowers who are serving in AmeriCorps. Medical internships and residency. Also, the Department may authorize periods of forbearance due to national military mobilization or national emergency.
- Borrowers must request forbearance and provide supporting documentation of the reason for forbearance. The school and the borrower must agree to the terms of the forbearance. The school confirms this agreement by notice to the borrower, and by recording the terms in the borrower's file.
- Schools may grant the borrower forbearance for a period of up to one (1) year at a time. The forbearance may be renewed, but the periods of forbearance collectively may not exceed a total of three (3) years.
- Schools can not include periods of forbearance in determining the Ten (10) year repayment period.

##### **DEFERMENT PROCEDURES**

- Under Certain circumstances, a borrower is entitled to have the repayment of a loan deferred. During deferment, the borrower is not required to pay principal and interest does not accrue. After each deferment, the borrower is entitled to a post-deferment grace period of Six (6) consecutive months.
- The borrower must request deferment and provide the school with all the information and documentation that the school requires. The borrower must request annually if engaged in services that qualify for loan cancellation or that the borrower is enrolled at least half-time at an



eligible school. Borrowers must immediately report any change in their deferment status to the lending schools.

- The school may grant a deferment, at the borrower's request, based on the information from another Perkins school, FEEL loan holder, and the Department of Education or the National Student Loan Data System (NSLDS) that a borrower has granted has been granted a deferment for the same reason and the same period on the borrower's FEEL loan or Direct Loan. This will simplified deferment granting process is optional to the school and only applies to in-school deferments, graduate fellowship deferment, rehabilitation training program deferments, military service deferments, and active duty student deferments.
- Internship/Residency deferments are only available for the dental school borrowers for a period of no more than two (2) years.
- Schools can not include periods of deferment in the 10-year repayment period.

### **GENERAL CANCELLATION PROVISIONS**

- The following cancellation application procedures apply to any loan under this program.
- The borrower applies for cancellation of their loan by obtaining the appropriate cancellation form from the loan servicing company or the Student Loan Office of the school that made the loan.
- The borrower submits the form to the school, along with any supporting documentation that the school requests, by the deadline established by the school. Schools determine, based on the borrower's documentation, whether the borrower is entitled to have any portion of their loans cancelled.
- For all cancellations, the cancellation form must be signed by an official of the school system or agency to certify the borrower's service.

### **List of Perkins cancellation available to borrowers that qualify:**

AmeriCorps recipients  
Elementary/Secondary Teacher  
Public Service  
Nurse or Medical Technician  
Child or Family Services  
Early Intervention  
Pre-kindergarten, Childcare, Head Start programs  
Law enforcement, correction officer, public defender  
Military Service for active duty  
Volunteer Services

### **Forbearance and deferment processing for the Federal Perkins Loans**

All forbearance and deferment requests are to be sent directly to ECSI, 181 Montour Run Road, Coraopolis, PA 15108. Telephone number 1-888-549-3274. You may download all forms through <https://borrower.ecsi.net>.

### **Deferments – Cancellation Provisions**

Deferment and cancellation provisions for the Federal Perkins Program are provided on the following pages.

### **Deferments for all Perkins Loans**

The deferments that follow are available to all loans made under the Federal Perkins Loan Program, regardless of disbursement date or contrary provisions in the promissory note.



## **In-School Deferment**

A borrower may defer repayment of a Perkins Loan if he or she is enrolled at least half-time in an eligible school.

To receive an in-school deferment, the borrower must be enrolled as a regular student in an eligible institution of higher education or a comparable institution outside the United States approved by the Department for deferment purposes. A regular student is one who is enrolled for the purpose of obtaining a degree or certificate. (The eligible institution need not participate in the Federal Perkins Loan Program.)

If the borrower is attending at least half-time as a regular student for a full academic year and intends to do so in the next academic year, he or she is entitled to a deferment for 12 months. This means that a school must continue to apply the in-school deferment through the summer session, even if the borrower does not attend classes during the summer session. In-school deferment ends on the day the borrower graduates or drops below half-time enrollment.

Schools may grant in-school deferments to borrowers based on student enrollment information provided by third-party servicers or other schools. The enrollment information must establish that the borrower is enrolled as a regular student on at least a half-time basis. If a school grants deferment based on this information, the school must notify the borrower of the deferment and offer the option to cancel deferment and continue repayment of the loan.

If a borrower is attending a school that ceases to qualify as an institution of higher education, the borrower's deferment ends on the date the school ceases to qualify.

Except for a program in dentistry, an in-school deferment may not be granted to a borrower who is serving in a medical internship or residency program.

## **Graduate Fellowship**

A borrower may defer repayment if he or she is enrolled and in attendance as a regular student in a course of study that is part of a graduate fellowship program approved by the Department, including graduate or postgraduate fellowship-supported study (such as a Fulbright grant) outside the United States. To receive deferment for enrollment in a graduate fellowship program, the borrower must provide certification that he or she is engaged in full-time study in an approved graduate fellowship program (or has been accepted by the program).

## **Rehabilitation Training**

A borrower may defer repayment if he or she is enrolled in a course of study that is part of a Department-approved rehabilitation training program for disabled individuals.

To receive this deferment, the borrower must provide the school with certification that:

- the borrower is receiving, or scheduled to receive, rehabilitation training from the agency;
- the agency is licensed, approved, certified, or otherwise recognized by a state agency responsible for programs in vocational rehabilitation, drug abuse treatment, mental health services, or alcohol abuse treatment; or by the Department of Veterans Affairs; and
- the agency provides or will provide the borrower rehabilitation services under a written plan that (1) is individualized to meet the borrower's needs; (2) specifies the date that services will end; and (3) is structured in a way that requires substantial commitment from the borrower.

A substantial commitment from the borrower is a commitment of time and effort that would normally prevent the borrower from holding a full-time job either because of the number of hours that must be devoted to rehabilitation or because of the nature of the rehabilitation.

### **Seeking Full-Time Employment**

A borrower may defer repayment on a Perkins Loan for up to three years, regardless of disbursement date and contrary provisions on the promissory note, if the borrower is seeking and unable to find full-time employment. Schools may determine the documents the borrower must provide to apply for this deferment.

### **Economic Hardship**

A borrower is entitled to an economic hardship deferment for periods of up to 1 year at a time, not to exceed 3 years cumulatively, if the borrower provides the school with satisfactory documentation showing that:

1. The borrower has been granted an economic hardship deferment for either a Stafford or PLUS Loan for the same period of time for which the Perkins Loan deferment has been requested.
2. The borrower is receiving federal or state general public assistance, such as Temporary Assistance to Needy Families, Supplemental Security Income, or Food Stamps.
3. The borrower is working full-time\* and is earning a total monthly gross income that does not exceed 1) the monthly earnings of someone earning the minimum wage, or 2) 150% of the poverty line\*\* for the borrower's family size.\*\*\*
4. The borrower is not receiving total monthly gross income that is more than twice the amount in (3) above and that income minus an amount equal to the borrower's monthly payments on federal postsecondary education loans does not exceed the amount specified in (3) above.

The borrower must submit at least the following documentation:

- evidence showing the amount of the borrower's most recent total monthly gross income from all sources—that is, the gross amount of income the borrower received from employment (either full-time or part-time) and from other sources; and
- evidence showing the most recent monthly amount due on each of the borrower's federal postsecondary education loans, as determined by the method described below

If the repayment schedule for the loan is 10 years or less, use the actual monthly payment amount. If the repayment schedule for the loan is more than 10 years, use a monthly payment amount that would have been due for a 10-year repayment schedule. If the borrower's payments are due less frequently than monthly, use the payment amount that is proportional for a month.

5. The borrower is serving as a volunteer in the Peace Corps. Schools may grant deferments for Peace Corps service for periods longer than 1 year at a time, but these periods must not collectively exceed 3 years.

Note that the deferment provision for borrowers whose debt burden exceeds 20% of total monthly gross income has been eliminated. See the 2008-09 FSA Handbook for details on the 220% limitation for that deferment.

\*a borrower is considered to be working full-time if he or she is expected to be employed for at least 3 consecutive months for at least 30 hours per week.

\*\*The poverty guidelines are published annually by the Department of Health and Human Services. If a borrower is not a resident of a State identified in the poverty guidelines, the poverty guideline to be used for the borrower is the poverty guideline (for the relevant family size) used for the 48 contiguous States.

\*\*\*To qualify for a subsequent period of deferment that begins less than one year after the end of the deferment described in option 3 or 4 above, the borrower must submit a copy of his or her federal income tax return if the borrower filed a tax return within the 8 months proceeding the date the deferment is requested.

### **Determining maximum monthly gross income & 150% of poverty line (#3).**

#### **Monthly gross income at minimum wage.**

The current hourly minimum wage is available at [www.dol.gov/dol/topic/wages/minimumwage.htm](http://www.dol.gov/dol/topic/wages/minimumwage.htm).

To find monthly gross income, multiply the minimum wage by the typical work-hours in a year (2080), and then divide this amount by 12 months.

As of July 24, 2008, the minimum wage is \$6.55, making the current monthly gross income of a minimum wage earner \$1,135.33.

#### **Determining 150% of the poverty line for the borrower's family size.**

Annual poverty line guidelines, as defined by Section 673(2) of the Community Service Block Grant Act, are available at <http://aspe.hhs.gov/poverty/poverty.shtml>.

Note that an unborn child may be included if that child will be born during the year the borrower certifies family size or for the period the borrower requests an economic hardship deferment.

#### **Military Service Deferment**

A borrower who is serving on active duty or performing qualifying National Guard duty in connection with a war, military operation, or national emergency does not need to pay principal or interest on Perkins, Nasals, and Defense Loans.

The overall 3-year limit for this deferment was eliminated in October of 2007, as was the provision that limited the availability of the deferment to loans first disbursed on or after July 1, 2001. A borrower may receive deferment for all eligible outstanding loans in repayment as of October 1, 2007. A borrower whose deferment eligibility had expired due to the prior 3-year limitation and who was still serving on eligible active duty on or after October 1, 2007 may receive the deferment retroactively from the date the prior deferment expired until the end of the borrower's active duty service.

Effective October 1, 2007, the deferment now is extended 180 days for qualifying periods of service that include October 1, 2007 or that begin on or after that date. This additional period is available each time a borrower is demobilized at the conclusion of qualifying service. This additional 180 day deferment may not be granted without documentation supporting the borrower's claim of end-of-military-service date.

A borrower may not be reimbursed for any payments made by or on behalf of a borrower during a period for which the borrower qualified for a deferment.

#### **13-Month Post-Active Duty Deferment**

Effective October 1, 2007, borrowers who are members of National Guard or Armed Forces Reserve, and members of the Armed Forces who are in retired status, are eligible for a 13-month period of deferment on repayment of their Perkins loans following the completion of their active duty military service if they were enrolled in a postsecondary school at the time of, or within 6 months prior to, their activation.

Many borrowers may also be eligible for the military service deferment described above, and a student may receive both deferments if eligible. If a student receives both, the overlapping periods of deferment will run concurrently.

A borrower returning from active duty who is in a grace period is not required to waive the grace period to use the 13-month post-active duty student deferment. If the borrower re-enrolls in postsecondary school (at least half-time) prior to the expiration of the 13-month period, the deferment ends on the date the student re-enrolls.

Unlike the military service deferment described above, students receiving the active duty student deferment need not be activated during a war, national emergency, or other military operation.

For purposes of the active duty student deferment, “active duty” has the same meaning as in Section 101(d)(1) of Title 10, United States Code, but does not include active duty for training or attendance at a service school/academy.

Members of the National Guard may qualify for this deferment for Title 32 full-time National Guard duty under which a Governor is authorized, with the approval of the President or the U.S. Secretary of Defense, to order a member to State active duty and the activities of the National Guard are paid for by federal funds; or for State active duty under which a Governor activates National Guard personnel based on State statute or policy, and the activities of the National Guard are paid for by State funds. Active duty does not include a borrower who is serving full-time in a permanent position with the National Guard, unless the borrower is reassigned as part of a call-up to active duty service.

## **Military Service Definitions**

### **For purposes of the military service deferment:**

**Active duty** means full-time duty in the active military service of the United States, except that it does not include active duty for training or attendance at a service academy.

**Performing National Guard duty** means training or other duty, other than inactive duty, when called to active service authorized by the President of the United States or Secretary of Defense for a period of more than 30 consecutive days in connection with a war, national emergency, or other military operation.

**Military operation** means a contingency operation that is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or an opposing military force.

**National emergency** means a national emergency by reason of terrorist attacks as declared by the President on Sept 14, 2001, or subsequent national emergencies declared by the President by reason of terrorist attacks.

### **Deferments for Loans Made Before July 1, 1993**

The deferments in this section are only available for Perkins Loans made before July 1, 1993, and NDSL made between October 1, 1980 and July 1, 1993. For information on deferment provisions exclusive to loans made before October 1, 1980, see the 1994-95 Federal Student Financial Aid Handbook or 34 CFR 674.37.

## **Military & Related Service Deferments**

A borrower may defer repayment for up to three years and interest will not accrue while he or she is:

- a member of the U.S. Army, Navy, Air Force, Marines, or Coast Guard;
- a member of the National Guard or the Reserves serving a period of full-time active duty in the armed forces;
- an officer in the Commissioned Corps of the U.S. Public Health Service;
- (for Perkins Loans made before July 1, 1993, only) on full-time active duty as a member of the National Oceanic and Atmospheric Administration Corps.

### **Parenting Deferments** [for Perkins Loans made before July 1, 1993, only.]

A borrower may defer repayment (and interest will not accrue) during a period of up to one year if the borrower is a mother of a preschool-age child, provided the mother is working (or going back to work) at a salary that is no more than \$1.00 above the minimum hourly wage.

A borrower may also defer repayment for up to six months if the borrower is pregnant, or if he or she is taking care of a newborn or newly adopted child. This deferment is called a parental leave deferment. The borrower must be unemployed and not attending school and must apply for deferment within six months of leaving school or dropping below half-time status.

### **Hardship Deferments**

Loans disbursed before July 1, 1993 are eligible for an additional type of hardship deferment, which is separate and different from an economic hardship deferment.

A borrower may defer repayment for hardship, as determined by the school (for example, if the borrower is facing a prolonged period of illness or unemployment). A borrower may qualify for unlimited deferments due to hardship.

Interest will continue to accrue during the hardship deferment. Also, hardship deferments do not have post-deferment grace periods.

### **Service as (or comparable to) Peace Corps/Americorps\*VISTA Volunteer**

A borrower may defer repayment for up to three years and interest will not accrue while he or she is a Peace Corps or Americorps\*VISTA (under Title I, Part A of the Domestic Volunteer Service Act of 1973) volunteer or providing comparable service. A borrower is considered to be providing service comparable to Peace Corps or Americorps\*VISTA service if he or she meets all of the following five criteria:

1. The borrower serves in an organization that is exempt from taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954;
2. The borrower provides service to low-income persons and their communities to assist them in eliminating poverty and poverty-related human, social, and environmental conditions;
3. The borrower does not receive compensation that exceeds the rate prescribed under Section 6 of the Fair Labor Standards Act of 1938 (the federal minimum wage), except that the tax-exempt organization may provide the volunteer with health, retirement, and other fringe benefits that are substantially equivalent to the benefits offered to other employees of the organization;
4. The borrower, as part of his or her duties, does not give religious instruction, conduct worship service, engage in religious proselytizing, or engage in fund-raising to support religious activities; and
5. The borrower has agreed to serve on a full-time basis for a term of at least one year.

### **Temporary Total Disability Deferment**

An affidavit from a qualified physician is required to prove disability. (A qualified physician is a doctor of medicine or osteopathy who is legally authorized to practice medicine.) A borrower is temporarily



totally disabled if he or she is, due to illness or injury, unable to attend an eligible school or to be gainfully employed during a reasonable period of recovery.

A borrower may receive deferment for temporary total disability of a spouse or dependent if the spouse or dependent requires continuous nursing or other services from the borrower for a period of at least three months due to illness or injury.

The definition of dependent for temporary total disability deferment purposes is the same as the definition used in the *Free Application for Federal Student Aid (FAFSA)* for a member of the independent applicant's household: A borrower's dependent is a child who receives more than half of his or her financial support from the borrower or another person who lives with the borrower and who receives more than half of his or her financial support from the borrower.

### **Internship/Residency Deferment**

A borrower who is serving in a medical internship or residency program is not considered to be in school for deferment purposes and may not receive an in-school deferment on that Perkins Loan for the internship or residency program; however, the borrower is eligible for an *internship deferment* for up to two years.

While the borrower is serving an eligible internship, he or she may defer repayment for up to two years. Interest will not accrue during the internship deferment. An eligible internship is one that requires the borrower to hold at least a bachelor's degree before beginning the program.

The internship must also be *required by a state licensing agency* as a prerequisite for certification of the individual for professional practice or service. The borrower must provide the school certification from an official of the appropriate state licensing agency indicating that the successful completion of the internship is required by the state licensing agency as a prerequisite for certification for professional practice or service. The borrower must further provide a statement from the organization where the borrower will be an intern certifying:

- that applicants must hold a bachelor's degree to be admitted into the internship program;
- that the borrower has been accepted into the internship program; and
- the dates when the borrower is expected to begin and complete the program.

Borrowers of Perkins Loans made before July 1, 1993, may alternatively show that the internship or residency program *leads to a degree or certificate* awarded by an institution of higher education, a hospital, or a health care facility offering postgraduate training. The borrower must provide the school with a statement from an authorized official of the internship program certifying that:

- an individual must have a bachelor's degree to be admitted into the program;
- the borrower has been accepted into the program; and
- the internship or residency program leads to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility that offers postgraduate training.

### **Who is a teacher?**

A teacher is a person who provides students direct classroom teaching, classroom-type teaching in a non-classroom setting, or educational services directly related to classroom teaching (e.g., school librarian, guidance counselor).

It is not necessary for a teacher to be certified or licensed to receive cancellation benefits. However, the employing school must consider the borrower to be a full-time professional for the purposes of salary,

tenure, retirement benefits, and so on. In other words, to qualify, the borrower should accrue the same benefits as teachers who are licensed and/or certified.

A supervisor, administrator, researcher, or curriculum specialist is not a teacher unless he or she primarily provides direct and personal educational services to students.

Under certain conditions, a teacher's aide may be considered eligible for teacher cancellation. The teacher's aide must meet the definition of a "full-time teacher." He or she must have a bachelor's degree and be a professional recognized by the state as a full-time employee rendering direct and personal services in carrying out the instructional program of an elementary or secondary school.

Volunteer teachers are not professionally employed on a full-time basis and, therefore, are not eligible for teacher cancellation benefits.

### **Teaching full time for a full academic year**

The borrower must teach full-time for a full academic year or its equivalent. There is no requirement that a teacher must teach a given number of hours a day to qualify as a full-time teacher; the employing school is responsible for determining whether or not the individual is considered to be a full-time teacher.

An "academic year or its equivalent" for teacher cancellation purposes is defined as one complete school year. Two half-years count as an academic year if they are complete, consecutive, from different school years (excluding summer session), and generally fall within a 12-month period.

A borrower who cannot complete the academic year because of illness or pregnancy may still qualify for cancellation if he or she has completed the first half of the academic year and has begun teaching the second half, but the borrower's employer must consider the borrower to have fulfilled his or her contract for the academic year.

### **Teaching part time at multiple schools**

Schools must grant cancellation to a borrower who is simultaneously teaching part-time in 2 or more schools if an official at one of the schools where the borrower taught certifies that the borrower taught full-time for a full academic year. For example:

- under a consortium agreement, a borrower may be employed by the consortium and teach at member schools;
- two or more schools, by mutual agreement, could arrange to have one school employ the borrower on a full-time basis and then hire out his or her services to the other school(s) involved in the agreement; or
- a borrower can be considered to have been a full-time teacher for an academic year if he or she can obtain appropriate certifications that he or she has taught in two half-time teaching positions for a complete academic year in two elementary or secondary schools or in two secondary schools.

A school may refuse cancellation for simultaneous teaching in two or more schools if it cannot easily determine that the teaching was full time.

### **Teaching in a private school**

A borrower may receive teacher cancellation for services performed in a private elementary or secondary school or academy, if the private school or academy has established its nonprofit status with the Internal Revenue Service (IRS) and if the school or academy is providing elementary or secondary education according to state law. The school or academy does not necessarily need to be accredited for a borrower teaching there to qualify for teacher cancellation.

### **Teaching in a preschool or prekindergarten program**

A borrower may receive teacher cancellation for teaching service performed in a preschool or prekindergarten program the state considers the program to be a part of its elementary education program. A low-income-school-directory designation that includes prekindergarten or kindergarten does not suffice for a state determination of program eligibility. The school must check with the state superintendent of public instruction to determine whether these programs are part of the state elementary education program.

### **Teaching both children and adults**

If the borrower teaches both children and adults, the majority of students must be children for the borrower to qualify for cancellation.

### **Low-income school directory**

The Department maintains a *Teacher Cancellation Low-Income Directory* of elementary/secondary schools and educational service agencies providing services to low-income students, in consultation with each state's educational agency. The Department considers a school to be a low-income school only if:

- it is in a school district that qualifies for federal funding based on the large number of low-income families in the district; and
- more than 30% of the school's enrollment is made up of children from low-income families.

Information about the compilation and publication of the directory is available from the Campus-Based Call Center at: 1-877-801-7168 or Pamela Wills ([pamela.wills@ed.gov](mailto:pamela.wills@ed.gov)).

### **DEFINITIONS**

The following are definitions of terms used in this chapter (from 34 CFR 674.51):

**Children and youth with disabilities.** Children and youth from ages three through twenty-one, inclusive, who require special education and related services because they have disabilities as defined in Section 602(3) of the Individuals with Disabilities Education Act (the Act).

The Act defines a "child with a disability" as one (1) with mental retardation, hearing impairments (including deafness), speech or language impairments, visual impairments (including blindness), serious emotional disturbance, orthopedic impairments, autism, traumatic brain injury, other health impairments, or specific learning disabilities; and (2) who, by reason thereof, needs special education and related services.

For a child age three through nine, the term a "child with a disability" may include, at the discretion of a state and the local education agency, individuals (1) experiencing developmental delays, as defined by the state and as measured by appropriate instruments and procedures, in one or more of the following areas: physical development, cognitive development, communication development, social or emotional development, or adaptive development; and (2) who, by reason thereof, require special education and related services.

**Early intervention services.** Those services defined in Section 632(4) of the Individuals with Disabilities Education Act that are provided to infants and toddlers with disabilities.

**High-risk children.** Individuals under the age of 21 who are low-income or at risk of abuse or neglect, have been abused or neglected, have serious emotional, mental, or behavioral disturbances, reside in placements outside their homes, or are involved in the juvenile justice system.



**Infants and toddlers with disabilities.** Infants and toddlers under age three, inclusive, who need early intervention services for specified reasons, as defined in Section 632(5)(A) of the Individuals with Disabilities Education Act.

The Act defines an infant or toddler with a disability as an individual under three years of age who needs early intervention services because the individual (1) is experiencing developmental delays, as measured by appropriate diagnostic instruments and procedures in one or more of the areas of cognitive development, physical development, communication development, social or emotional development, and adaptive development; or (2) has a diagnosed physical or mental condition which has a high probability of resulting in developmental delay.

The term **infants and toddlers with disabilities** may also include, at a state's discretion, individuals under age three, who are at risk of having substantial developmental delays if early intervention services are not provided.

**Low-income communities.** Communities in which there is a high concentration of children eligible to be counted under Title I of the Elementary and Secondary Education Act of 1965, as amended.

**Medical Technician.** An allied health professional (working in fields such as therapy, dental hygiene, medical technology, or nutrition) who is certified, registered, or licensed by the appropriate state agency in the state in which he or she provides health care services; an allied health professional is someone who assists, facilitates, or complements the work of physicians and other specialists in the health care system.

**Nurse.** A licensed practical nurse, a registered nurse, or other individual who is licensed by the appropriate state agency to provide nursing services.

**Qualified professional provider of early intervention services.** A provider of services, as defined in Section 632 of the Individuals with Disabilities Education Act.

Section 632 of that Act defines early intervention services as developmental services that:

- are provided under public supervision;
- are provided at no cost except where federal or state law provides for a system of payments by families, including a schedule of sliding fees;
- are designed to meet the developmental needs of an infant or toddler with a disability in one or more of the following areas: physical development, cognitive development, communication development, social or emotional development, or adaptive development;
- meet the standards of the state in which they are provided;
- are provided by qualified personnel, including: special educators; speech and language pathologists and audiologists; occupational therapists; physical therapists; psychologists; social workers; nurses; nutritionists; family therapists; orientation and mobility specialists; and pediatricians and other physicians;
- to the maximum extent appropriate, are provided in natural environments, including the home, and community settings in which children without disabilities participate; and
- are provided in conformity with an individualized family service plan adopted in accordance with Section 636 of the Individuals with Disabilities Education Act.

Under the Individuals with Disabilities Education Act, early intervention services include: family training, counseling, and home visits; special instruction; speech-language pathology and audiology services; occupational therapy; physical therapy; psychological services; service coordination services; medical

services only for diagnostic or evaluation purposes; early identification, screening, and assessment services; health services necessary to enable the infant or toddler to benefit from the other early intervention services; social work services; vision services; assistive technology devices and services; and transportation and related costs necessary to enable infants, toddlers, and their families to receive other services identified in Section 632(4).

**Teaching in a field of expertise.** The majority of classes taught are in the borrower's field of expertise.

### **PROPOSED PERKINS CANCELLATION DEFINITIONS**

The following are proposed definitions of key terms used in this chapter from 34 CFR 674.56 (Employment cancellation--Federal Perkins, NDSL and Defense loans) to incorporate the new public service employment cancellations reflected in amended section 465(a) of the HEA.

The following definitions were included in a Notice of Proposed Rulemaking published in the Federal Register on July 28, 2009. Final regulations governing the new Perkins cancellations will be published in the Oct., 2009 Federal Register. Schools may use these definitions as guidelines for making determinations of eligibility for the new Perkins cancellation categories prior to the publication of the final regulations.

**Child care program.** [674.58(c)(3)]. A child care program would be defined as a program that is licensed and regulated by the State and provides child care services for fewer than 24 hours per day per child, unless care in excess of 24 consecutive hours is needed due to the nature of the parents' work (see proposed § 674.58(c)(3)).

**Community defender organization.** A defender organization established in accordance with section 3006A(g)(2)(B) of title 18, United States Code.[674.51(e)]

**Educational service agency.** A regional public multi-service agency authorized by State law to develop, manage, and provide services or programs to local educational agencies as defined in section 9101 of the Elementary and Secondary Education Act of 1965, as amended.

**Faculty member at a Tribal College or University.** An educator or tenured individual who is employed by a Tribal College or University, as that term is defined in section 316 of the HEA, to teach, research, or perform administrative functions. For purposes of this definition an educator may be an instructor, lecturer, lab faculty, assistant professor, associate professor, full professor, dean, or academic department head. [674.51(i)]

**Federal public defender organization.** A defender organization established in accordance with section 3006A(g)(2)(A) of title 18, United States Code.

**Firefighter.** A firefighter is an individual who is employed by a Federal, State, or local firefighting agency to extinguish destructive fires; or provide firefighting related services such as—

- (1) Providing community disaster support and, as a first responder, providing emergency medical services;
- (2) Conducting search and rescue; or
- (3) Providing hazardous materials mitigation (HAZMAT).

**Librarian with a master's degree.** A librarian with a master's degree is an information professional trained in library or information science who has obtained a postgraduate academic degree in library

science awarded after the completion of an academic program of up to six years in duration, excluding a doctorate or professional degree.

**Pre-Kindergarten program.** [674.58(c)(2)] A prekindergarten program would be defined as a State-funded program that serves children from birth through age six and addresses the children's cognitive (including language, early literacy, and early mathematics), social, emotional, and physical development (see proposed § 674.58(c)(2)).

**Speech language pathologist with a master's degree.** An individual who evaluates or treats disorders that affect a person's speech, language, cognition, voice, swallowing and the rehabilitative or corrective treatment of physical or cognitive deficits/disorders resulting in difficulty with communication, swallowing, or both and has obtained a postgraduate academic degree awarded after the completion of an academic program of up to six years in duration, excluding a doctorate or professional degree.

**Tribal College or University.** A Tribal College or University is an institution that qualifies for funding under the Tribally Controlled Colleges and Universities Assistance Act of 1978 (25 U.S.C. 1801 et seq.), or the Navajo Community College Assistance Act of 1978 (25 U.S.C. 640a note), or is cited in section 532 of the Equity in Education Land Grant Status Act of 1994 (7 U.S.C. 301 note) (see proposed § 674.51(bb)).

## **ADDENDUM FOR EXIT INTERVIEW**

The College Cost Reduction and Access Act (Pub. L. 110-84), signed into law on September 27, 2007, and the Higher Education Opportunity Act (Pub. L. 108-315), signed into law on August 14, 2008, changed the terms of loans made under the Federal Perkins Loan Program authorized by Part E of the Higher Education Act of 1965, as amended.

### **New changes affecting the Federal Perkins Loans**

#### **LOAN REHABILITATION**

If you default on your Federal Perkins Loan, you may rehabilitate your defaulted loan under the terms and conditions specified in your promissory note by making nine on-time, consecutive, monthly payments, as determined by the loan holder. After your loan is rehabilitated, collection costs on the loan may not exceed 24% of the unpaid principal and accrued interest as of the date following the application of the ninth consecutive payment.

#### **FORBEARANCE**

Upon making a properly documented request to the holder of your loan, orally or in writing, you are entitled to forbearance of principal and interest, or principal only, renewable at intervals of up to 12 months for periods that collectively do not exceed three years, under the terms and conditions specified in your promissory note.

#### **DEFERMENT**

As of October 1, 2007, you may defer making scheduled installment payments, and will not be liable for any interest that might otherwise accrue on your Federal Perkins Loans, for an unlimited period during which you are serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency, (as these terms are defined in 34 CFR §674.34(h) of the Perkins Loan Program regulations) and, if your active duty service includes October 1, 2007 or begins on or after that date, the 180-day period following the demobilization date for your service.

As of October 1, 2007, if you are serving on active duty military service on that date, or begin serving on or after that date for at least a 30-day period, you may defer making scheduled installment payments, and will not be liable for any interest that might otherwise accrue on your Federal Perkins Loans, for up to 13 months following the conclusion of your service and initial grace period if you are a member of the National Guard or other reserve component of the Armed Forces of the United States or a member of such forces in retired status (as these terms are defined in 34 CFR §674.34(i)(2)) and you were enrolled in a program of instruction at the time, or within six months prior to the time you were called to active duty. Active duty does not include active duty for training or attendance at a service school or employment in a full-time, permanent position in the National Guard unless you are reassigned from that position to another form of active duty service.

#### **CANCELLATION FOR TEACHING SERVICE**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount of your Federal Perkins Loan cancelled for qualifying teaching service that includes August 14, 2008, or begins on or after that date, in a school or location, operated by an educational service agency, that has been determined to have a high concentration of students from low income families. An official Directory of designated low-income schools and locations operated by educational service agencies is published annually by the Department:

#### **CANCELLATION FOR PRE-KINDERGARTEN OR CHILD CARE PROGRAM**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount cancelled for qualifying service that includes August 14, 2008, or begins on or after that date, as a fulltime staff member in a pre-kindergarten or child care program that is licensed or regulated by the State and that is operated for a period comparable to a full school year in the locality if your salary is not more than the salary of a comparable employee of the local educational agency.

#### **CANCELLATION FOR ATTORNEYS EMPLOYED IN A DEFENDER ORGANIZATION**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount cancelled for qualifying full-time service that includes August 14, 2008, or begins on or after that date, as an attorney employed in a defender organization established in accordance with section 3006(g)(2) of title 18, U.S.C.

#### **CANCELLATION FOR FIREFIGHTERS**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount cancelled for qualifying service that includes August 14, 2008, or begins on or after that date, as a fulltime firefighter for a local, State or Federal fire department or fire district.

#### **CANCELLATION FOR FACULTY OF A TRIBAL COLLEGE OR UNIVERSITY**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount cancelled for qualifying full-time service that includes August 14, 2008, or begins on or after that date, as a faculty member at a Tribal College or University, as that term is defined in section 316 of title 20, U.S.C.

#### **CANCELLATION FOR SERVICE AS A LIBRARIAN**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount cancelled for qualifying full-time service that

includes August 14, 2008, or begins on or after that date, as a librarian, if you have a master's degree in library science and you are employed in an elementary or secondary school that is eligible for assistance under part A of title I of the elementary and Secondary Education Act of 1965, or you are employed in a public library that serves a geographic area that contains one or more of such schools.

#### **CANCELLATION FOR SERVICE AS A SPEECH-LANGUAGE PATHOLOGIST**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount cancelled for qualifying full-time service that includes August 14, 2008, or begins on or after that date, as a full-time speech-language pathologist if you have a master's degree and if you are working exclusively with schools that are eligible for assistance under title I of the Elementary and Secondary Education Act of 1965.

#### **CANCELLATION FOR MILITARY SERVICE IN AN AREA OF HOSTILITY**

Upon making a properly documented written request to the holder of your loan, you are entitled to have up to 100% of the original principal loan amount cancelled for qualifying full-time service that includes August 14, 2008, or begins on or after that date, as a member of the Armed Forces of the United States in an area of hostility that qualifies for special pay under section 310 of title 37 of the U.S. Code.

#### **CANCELLATION RATES**

For each complete year of service under the Teaching Service, Attorneys Employed in a Defender Organization, Firefighter, Faculty of a Tribal College or University, Librarian, Speech-Language Pathologist and Military Service Cancellation provisions, a portion of your loan will be canceled at the rate of 15% of the original principal loan amount for the first and second years of service; 20% of the original principal amount for the third and fourth years of service; and 30% of the original principal loan amount for the fifth year of service. The complete year of qualifying service must be performed after the enrollment period covered by the loan.

For each complete year of service under the Pre-Kindergarten or Child Care Program Cancellation provision, your loan will be cancelled at a rate of 15% of the original principal loan amount. The complete year of qualifying service must be performed after the enrollment period covered by the loan.

#### **TOTAL AND PERMANENT DISABILITY DISCHARGE**

Upon making a properly documented written request to the school on or after July 1, 2008, you are entitled to a discharge of the total amount owed on your Federal Perkins Loan if the Department of Veterans Affairs determines that you are unemployable due to a service-connected disability.

### **HEALTH PROFESSIONS STUDENT LOAN (HPSL) AND LOANS FOR DIS-ADVANTAGED STUDENTS (LDS)**

#### **GRACE PERIOD**

12 months immediately following the last day of attendance. During the grace period principal and interest do not accrue.

#### **DEFERMENT PROVISIONS**

It is the borrower's responsibility to **request a deferment on an annual basis** and to report his/her eligibility for deferred status to the billing agent Campus Partners, Inc. on the appropriate deferment

form, immediately, upon the expiration of the grace period and entry into any of the following programs:

- Internships and residencies **deferments are unlimited.**
- Fellowship deferments **period is two years.**
- Active duty as a member of an uniformed service of the United States (Army, Navy, Air Force, Marine Corp, Coast Guard), a volunteer under the Peace Corp Act, Vista, the National Oceanic and Atmospheric Administration and the U.S. Public Health Service, **deferment period is three (3) years.**

## **FORBEARANCE**

The borrower may upon written request, seek forbearance if financial, medical or other circumstances arise which prevents remittance of the scheduled payments. During forbearance principal will be deferred, however, interest will continue to accrue.

## **CANCELLATION**

In the event of the borrower's total and permanent disability or death, the unpaid indebtedness remaining on the note will be canceled upon receipt of the borrower's written request and physician certification. All information will be forwarded to the Department of Health and Human Services for final approval. In the event of the borrower's death, the entire indebtedness will be canceled upon receipt of a death certificate.

Schools are no longer required to provide borrowers with copies of their promissory notes during the Exit Interview Sessions. The school will only provide copies upon written request from the borrower.

## **FORBEARANCE AND DEFERMENT PROCESSING FOR HPSL AND LDS LOANS**

All forbearance and deferment requests are to be sent directly to ECSO, 181 Montour Run Road, Coraopolis, PA 15108. Telephone number 1-888-549-3274. You may download all forbearance and deferment forms through <https://borrowers.ecsi.net> which is the Web Page.

## **PRIMARY CARE STUDENT LOAN (PCL)**

### **AGREEMENT TO ENTER AND PRACTICE PRIMARY HEALTH CARE**

The borrower agrees to:

- enter and complete a residency training program in Primary Health Care no later than 4 years after the date on which the borrower graduates from the institution;
- practice Primary Health Care in a state through the date on which the loan is repaid in full, and certify to the institution on an annual basis, until the loan is repaid in full, that he/she is practicing primary health care.

### **DEFINITIONS**

- Primary Health Care is defined as family medicine, general internal medicine, general pediatrics, preventive medicine or osteopathic general practice.
- Residency Training Program in Primary Health Care is defined as a 3-year residency program in allopathic or osteopathic family medicine, internal medicine, pediatrics, combined medicine, or preventive medicine, approved by the Accreditation Council on Graduate Medicine Education (ACGME) or the American Osteopathic Association (AOA) or a general practice residency program

approved by AOA. This may include participation in a rotating or primary health care internship approved by the AOA.

### **NON-COMPLIANCE BY BORROWER**

If a borrower fails to comply with the above:

- For loans disbursed prior to 11/13/98, the balance due on the loan involved will be immediately recomputed from the date of issuance (using the original principal) at an interest rate of 12 percent per year, compounded annually.
- For loans disbursed on or after 11/13/98, the balance due on the involved loan will be recomputed from the date of non-compliance at an interest rate of 18 percent per year compounded annually.

### **GRACE PERIOD**

12 months, immediately following the last day of attendance. During the grace period interest does not accrue.

### **DEFERMENT PROVISIONS**

It is the borrower's responsibility to request deferment on an annual basis and to report his/her eligibility for deferred status to the billing agent, ECSI on the appropriate deferment form, immediately, upon the expiration of the grace period and entry into any of the following programs:

- serves on active duty as a member of a uniformed service of the United States, for up to three years;
- serves as a volunteer under the Peace Corp Act, for up to three years;
- pursues advanced professional training, including internships and residencies in Primary Health Care;
- pursues a full-time course of study at a health profession school eligible for participation in the Health Professions Student Loan program;
- leaves the institution, with the intent to return to the institution as a full-time student, to engage in a full-time educational activity which is directly related to the health profession for which the borrower is preparing, as determined by the Secretary of Health and Human Services, for up to two years; and
- participates in a fellowship training program or a full-time educational activity which is directly related to the health profession for which the borrower prepared at the institution, and is engaged in by the borrower within 12 months after completion of the borrower's participation in advanced professional training above or prior to the completion of the borrower's participation in such training, for up to two years.

However, if the borrower fails to enter and complete a Primary Care Residency Program and to practice primary care, in accordance with the above, interest shall accrue during all periods of deferments.

### **FORBEARANCE**

The borrower may, upon written request, seek from the billing servicer, forbearance if financial, medical or other circumstances arise which prevents remittance of the scheduled payments. During forbearance, principal will be deferred; however, interest will continue to accrue.

### **CANCELLATION**

In the event of the borrower's total and permanent disability, the unpaid indebtedness remaining on the note will be canceled upon receipt of the borrower's written request and physician's certification. All

information will be forwarded to the Department of Health and Human Services for final approval. In the event of the borrower's death, the entire indebtedness will be cancelled upon receipt of a death certificate.

***Prohibition Against Consolidation: This loan may not be consolidated as part of a Federal Consolidation Loan or Direct Loan Consolidation under the Higher Education Act of 1965.***

**FORBEARANCE AND DEFERMENT PROCESSING FOR PCL LOANS**

All forbearance and deferment request are to be sent directly to ECSI. 181 Montour Run Road, Coraopolis, PA 15108. Telephone number 1-888-549-3274. You may download all forbearance and deferment forms through <https://borrower.ecsi.net> which is the ECSI Web Page.



## **CHAPTER 6**

### **NEW JERSEY COLLEGE LOAN TO ASSIST STATE STUDENTS (NJCLASS)**

NJ Class loan is a private educational loan for graduate and undergraduate students who have exhausted their federal eligibility and need additional funds to finance their educational needs. Student must be at least half time within their academic program. *Note: Effective August 9, 2017 the NJCLASS Graduate/Professional loan is no longer available. All funds for this program have been exhausted. Applications received prior to August 9th will continue to be processed.*

#### **Rates and Features**

- Fixed Interest Rate
- Up to a 3.0% loan administration fee for all borrowers
- 20 year repayment term for the NJ Class Fixed Rate Loan
- 25 year repayment term for the fixed rate Graduate and Professional Loan
- Principal and interest repayment starts 30 days after leaving school for the full deferment and interest-only repayment option.
- Low Variable Interest Rate
- Interest Rate Repayment Cap of 9.5%
- Repayment begins immediately

#### **NJCLASS Step Up**

NJCLASS reduces the interest rate for the first 48 monthly payments of principal and interest. This reduction assists borrowers in repaying more principal during these early months when the loan balance is highest. The result is a lower overall cost to the borrower. 10 Year Fixed Rate – Begin Repayment Immediately 15 Year Fixed Rate – begin Repayment Immediately 15 Year Fixed Rate – Pay Interest – Only While in School 20 Year Fixed Rate – Defer All Payments While in School 10 Year Variable Rate

#### **Repayment Period**

- The maximum repayment period from the date of the first disbursement including deferment is 15 years or 20 years for the fixed rate loan. The Graduate/Professional loan has a 25 year repayment term.
- There is no pre-payment penalty.
- The loan will be considered in default when it becomes 180 days delinquent while in repayment of monthly installments or 240 days delinquent if repaid less frequently than monthly.
- A late fee not to exceed 6% may be collected if a payment is received later than 10 days of the scheduled due date.
- New for loans made after June 1, 2001 is a 50 basis point reduction in interest rate for loans repaid via ACH (Automated Clearinghouse). To be eligible for ACH payments, borrowers must have at least one loan in monthly repayment of principal and interest, and all loans in repayment must be paid via ACH. Interest rate reduction only applies to new loans made after June 1, 2001.

#### **NJCLASS Consolidation**

The NJCLASS Consolidation Loan is designed to assist those borrowers with higher NJCLASS debt balances by providing a longer repayment term and lower monthly payments. Borrowers must have a minimum of two NJCLASS loans with an outstanding minimum balance of \$30,000.

NJCLASS Consolidation loans with balances less than \$60,000 carry a 25-year repayment term.

NJCLASS Consolidation loans with balances greater than \$60,000 carry a 30-year repayment term.

The interest rate on a NJCLASS Consolidation loan is fixed and is based on a weighted average of the underlying NJCLASS loans being consolidated plus 0.25%. Deferment and forbearance options are limited and require monthly interest payments.

### **Deferment Provisions**

Deferments must be authorized with documentation that establishes eligibility. NJCLASS must be notified in order to determine deferment eligibility. NJCLASS must also be notified when deferment condition requested no longer exists.

### **Deferment and Forbearance Options**

A borrower is entitled to defer payment of principal if the borrower meets certain criteria. There are many different types of deferments available to borrowers, including deferments for periods of unemployment, or further study, service as an intern or medical resident, service in the Peace Corps, and temporary total disability. A borrower may experience a period of temporary economic hardship but may not be eligible for a deferment. If this occurs, the borrower may request a reduction or postponement of principal payments on the loan. The maximum allowable time period for economic hardship forbearance is 18 months.

NOTE: CONTACT HESAA FOR DOCUMENTATION NEEDED FOR THE ABOVE LISTED OPTIONS.

### **Disability**

A loan will be forgiven if the borrower has a total and permanent disability. If there is a spouse named on the loan, the spouse would become the responsible borrower. If there is a cosigner on the loan and the spouse is not named on the loan, the cosigner becomes the responsible borrower.

NOTE: A DISABILITY FORM MUST BE COMPLETED BY THE PHYSICIAN TO DETERMINE ELIGIBILITY.

### **Death**

Upon the death of a borrower, the spouse (if signed the promissory note) would become the responsible borrower on the loan. If there is a cosigner and the borrower's spouse did not sign the promissory note, the cosigner would become the responsible borrower on the loan. A loan will be forgiven in cases where the borrower is deceased and there is no spouse or cosigner.

NOTE: A CERTIFIED COPY OF A DEATH CERTIFICATE IS REQUIRED.

### **Cancellation**

A loan will be fully canceled upon receipt of check within 30 days from the date the loan was disbursed. A signed authorization from the institution or borrower giving reasons for cancellation must accompany the check. If a partial cancellation of the loan is requested, the institution would deduct any expenses incurred by student then return the balance to NJCLASS. The monies returned would then be applied to the loan to reduce the balance.

## **CHAPTER 7**

### ***ALTERNATIVE LOAN PROGRAMS***

Alternative Educational Loans, also known as Private Loans, help bridge the gap between available Federal Student Financial Aid funds and unmet educational expense. Alternative educational loans are credit-based loans and eligible applicants must meet the credit score or standards set by the lender.

Alternative Educational Loans typically have variable interest rates, with the interest rate pegged to an index, such as LIBOR or PRIME, plus a margin. The LIBOR index is the London Interbank Offered Rate and represents what it costs a lender to borrow money. The Prime Lending Rate (or Prime Rate) refers to the interest rate used by banks. It is the rate at which banks lend to favored customers (i.e. those with high credibility and strong FICO credit scores). Some variable interest rates may be expressed as a percentage above or below prime rate. Current LIBOR and Prime Lending rates can be found in the Federal Reserve's Statistical Release at <http://www.federalreserve.gov/releases/H15/>. The LIBOR rate appears in the London Eurodollar Deposits lines (1, 3 and 6 month figures) and the Prime Lending Rate appears in the Bank Prime Loan line.

The following table provides information about fees, loan terms, borrower benefits and contact information for the most used alternative educational/private loan programs at RBHS (formerly UMDNJ). The information presented in this table is based on lender literature. Actual rates and fees may be higher. The interest rates, fees and loan limits depend on the credit history of the borrower and co-signer. Borrowers should contact their lender(s) directly for the most up-to-date information. A credit report is also a very useful resource for reviewing and determining lender information. To request a free credit report go to [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com). Consumers may obtain a free credit report once every 12 months from each of the three nationwide consumer credit reporting companies in accordance with the Fair and Accurate Credit Transactions Act (FACT Act).

Borrower benefits are benefits or repayment incentives lenders offer to their borrowers. These benefits are designed as a reward for borrowers who exhibit positive payment behavior such as making on-time payments, not missing any payments, making payments using automatic debit, or using programs or tools that help borrowers prepare for repayment of loans. Lenders reserve the right to modify or discontinue borrower benefits at any time without notice. Borrowers should check with their lenders for the most up-to-date information regarding loan programs, including borrower benefits, interest rates, loan terms and repayment start date.

Current economic conditions have also caused major changes in private student loan offerings for undergraduate, graduate and professional students. These changes have negatively impacted some lenders ability to continue processing new loan applications. Most lenders will continue to service their existing loans and borrowers are strongly encouraged to contact their lender for details on repayment terms and options. The lenders are listed in alphabetical order.

### **ALTERNATIVE EDUCATIONAL/PRIVATE LOAN PROGRAMS**

<b>AAMC MEDLOANS</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information 1-800-858-5050</b>
			Suspended new loan processing. Contact lender for repayment details	

<b>CHASE LOAN PROGRAM</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information</b> <a href="http://www.chase.com/student-loans/servicing/student-loan-servicing">www.chase.com/student-loans/servicing/student-loan-servicing</a> 1-866-306-0268
			Suspended new loan processing. Contact lender for repayment details	
Chase Select Undergraduate	None	Up to 25 Years	Contact lender for repayment details	
Chase Select Graduate	None	Up to 25 Years	Contact lender for repayment details	
Chase Select Graduate Health Professions	None	Up to 25 Years	Contact lender for repayment details	
<b>CITIBANK LOAN PROGRAMS</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information</b> <a href="http://www.studentloan.com">www.studentloan.com</a> 1-877-728-3030
			Suspended new loan processing academic school year 1314. Contact lender for repayment details	
CitiAssist Undergraduate	0% to 6% (charge at repayment)	20 years	Contact lender for repayment details	
CitiAssist Health Professions	0% to 3% (charge at repayment)	25 years	Contact lender for repayment details	
CitiAssist Residency, Relocation and Review	0% to 6% (charge at repayment)	25 years	Contact lender for repayment details	
<b>DISCOVER PROGRAMS</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information</b> <a href="http://www.discover.com/student-loans/college-planning/">www.discover.com/student-loans/college-planning/</a> 1-8800-788-3368
Undergraduate Loan	None	15 years	Contact lender for repayment details	
Graduate Loan	None	20 years	Contact lender for repayment details	

<b>PNC Bank</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information</b> <a href="http://www.pnconcampus.com/studentloanguide/privateloans/index.html">http://www.pnconcampus.com/studentloanguide/privateloans/index.html</a> 1-800-762-1001
PNC SOLUTION LOAN FOR	0% to 6% (charge at repayment)	25 years	Contact lender for repayment details	

UNDER-GRADUATES				
PNC Solution Loan for Graduates	0% to 6% (charge at repayment)	25 years	Contact lender for repayment details	
PNC Solution Loan for Health Professions	0% to 6% (charge at repayment)	25 years	Contact lender for repayment details	
<b>NJCASS LOAN PROGRAM</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact NJCLASS Information</b> <a href="http://www.hesaa.org">www.hesaa.org</a> 1-800-792-8670
New Jersey Class Fixed Undergraduate	3% Origination Fees at time of disbursement	up to 20 years	Options for forbearances/deferments Fixed Interest Rate	
New Jersey Class Fixed Graduate	3% Origination Fees at time of disbursement	up to 25 years	Options for forbearances Fixed Interest Rate	
New Jersey Class Medical/Dental	3% Origination Fees at time of disbursement	up to 25 years	Special 3-year residency deferment. Fixed interest rate	
<b>SALLIE MAE</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information</b> <a href="http://www.salliemae.com">www.salliemae.com</a> 1-800-472-5543
Smart Option Student Loan (undergraduate, graduate and professional students)	varies	5 to 15 years	.25% percentage point interest reduction for auto debit.  .25% percentage point interest reduction if borrowers provides a valid e-mail address and elects to receive all servicing communication via e-mails.	Borrowers may apply for cosigner release after successful completion of their education.
Signature Loan Program			Suspended loan processing April 2009. Contact lender for repayment details	
Residency Relocation Loan		Standard 20 years	Repayment begins 36 months after graduation 24/7 online on-line account management	
<b>TERI PROGRAM</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information</b> <a href="http://www.theloanprogram.org/">http://www.theloanprogram.org/</a> 1-800-236-4300
International Student Loan Program			Suspended new loan processing. Contact lender for repayment details	
<b>WELLS FARGO PRIVATE STUDENT LOAN</b>	<b>Fees</b>	<b>Term</b>	<b>Borrower Benefits Comments</b>	<b>Contact Information</b> <a href="http://www.wellsfargo.com/student">www.wellsfargo.com/student</a> 1-800-378-5526
Wells Fargo Health Profession Loan			0.5% interest rate reduction for auto-debit from a Wells Fargo account	

			(0.25% for non-Wells Fargo accounts). 0.5% interest rate reduction for first 48 consecutive on-time payments. Variable rate has a floor rate of 3.25%.	
--	--	--	--	--

## **CHAPTER 8**

### ***LOAN CONSOLIDATION***

To apply for a Direct Loan Consolidation, the borrower must contact [www.studentloans.gov](http://www.studentloans.gov).

- Sign in (using your personal information);
- Under the “My Account” tab;
- Direct Loan Consolidation & Promissory Note.

All federal loans will be automatically populated; select the loans you wish to consolidate. Follow the prompt to complete the process. The borrower will then receive notification about the consolidation loan, normal consumer disclosures, the amount owed, and if appropriate where to make payments.

#### **CONSOLIDATION LOAN WEIGHTED AVERAGE INTEREST RATE**

Consolidation loans have fixed interest rates that are based on the weighted average of the interest rates on the loans being consolidated.

Most federal education loans are eligible for consolidation, including subsidized and unsubsidized Direct and FFEL Stafford Loans, SLS, Federal Perkins Loans, Federal Nursing Loans, and Health Education Assistance Loans. PLUS Loan borrowers (parent and graduate/professional degree students) can also consolidate their loans. Private education loans are not eligible for consolidation.

#### **ELIGIBILITY RULES**

Direct Stafford Loan borrowers are eligible to consolidate after they graduate, leave school, or drop below half-time enrollment. Currently, the only loan consolidation program available to students is the **William D. Ford Direct Consolidation Loan**.

PLUS loans are eligible for consolidation once they are fully disbursed.

Borrowers, who are delinquent or in default of a student loan, must meet certain requirements before they may consolidate their loans. Contact your loan holder for more information.

To be eligible for a William D. Ford Direct Consolidation Loan, you must have at least one of the following:

1. A Direct Stafford subsidized or unsubsidized loan that will be included in the Consolidation loan;  
or
2. Have at least one Federal Family Education Loan (FFEL) program Stafford subsidized or unsubsidized loan.

If your current loan holder does not offer a Consolidation Loan or a Consolidation Loan with Income Sensitive Repayment terms acceptable to you, and you are eligible for Income Contingent Repayment, you may apply for a Direct Consolidation loan. In addition, if you have more than one FFEL loan, you may apply for a Consolidation Loan through the Direct Consolidation Loan Program.

Borrowers who obtain a Direct Consolidation Loan while they are in the grace period on any loan that will be included in the new Consolidation Loan, or who will include one or more Perkins Loans in the new Consolidation Loan, are advised that the grace period on those loans will be immediately terminated (e.g., you will lose the benefit of having a grace period before repayment would begin).

#### **INTEREST RATE**

The interest rate for Direct Consolidation Loans is set according to a formula established by federal

statute. The fixed rate is based on the weighted average of the interest rates on the loans at the time you consolidate, rounded up to the nearest one-eighth of a percent. The interest rate does not exceed 8.25 percent. The consolidation rate is fixed for the life of the loan, which protects you from future increases in variable rate loans but prevents you from benefiting from future decreases in variable rates.

Borrowers with Stafford Loans issued on or after July 1, 1995, can reduce the consolidation rate by up to half a percentage point or more by consolidating before the end of the grace period.

The interest rate you would receive depends on which federal student loans are being consolidated. For example, your rate would be higher if you consolidated a 5 percent Federal Perkins Loan along with a 6.62 percent Direct or FFEL Stafford Loan.

### **OBTAINING A CONSOLIDATION LOAN**

For Direct Loans, you can contact the Direct Loan Origination Center's Consolidation Department at [www.studentloans.gov](http://www.studentloans.gov).

### **REPAYMENT PERIOD**

Repayment of Consolidation Loans begins within 60 days of the disbursement of the loan. The payback term ranges from 10 to 30 years, depending on the amount of education debt being repaid and the repayment option you select. Education loans not included in the Consolidation Loan are considered in determining the maximum payback period. You may elect to repay your loans under a shorter period than the maximum allowed.

For Direct Consolidation Loan borrowers, most of the Direct Loan repayment plans are available, except that Direct PLUS Consolidation Loans are not eligible to be repaid under the Income Contingent Repayment Plan and might not be eligible for some discharge/cancellation benefits. Check with the holder of your loan.

- **Fees** - Borrowers who consolidate will not pay any application fees or prepayment penalties.
- **Credit checks** - Under Direct Loan consolidation, PLUS borrowers are subject to a check for adverse credit history.

### **ALWAYS CONSIDER THE COST**

You should keep in mind that although consolidation can simplify loan repayment and lower your monthly payment, it also can significantly increase the total cost of repaying your loans. Consolidation offers lower monthly payments by giving borrowers up to 30 years to repay their loans. So, you'll make more payments and pay more in interest. In fact, in some situations consolidation can double your total interest expense. If you don't need monthly payment relief, you should compare the cost of repaying your unconsolidated loans against the cost of repaying a consolidation loan. You also should take into account the impact of losing any borrower benefits offered under non-consolidated repayment plans. Borrower benefits, which may include interest rate discounts, principal rebates, or some loan cancellation benefits, can significantly reduce the cost of repaying your loans.

Once processed, Federal Consolidation Loans cannot be undone. That's because the loans that were consolidated have been paid off and no longer exist. Take the time to study your consolidation options before you submit your application.



## **CHAPTER 9**

### ***LOAN REPAYMENT/FORGIVENESS PROGRAMS***

There are a variety of different Loan Repayment and Forgiveness Programs; the central goal of these programs is to assist students with the repayment of their qualified educational student loans in exchange for a service obligation.

Under certain circumstances the federal government or loan holder will cancel all or part of an educational loan; this practice is known as Loan Forgiveness. Qualified borrowers must meet certain eligibility requirements, which can include public, military and/or volunteer services, teach or practice medicine in certain types of underserved communities.

Loan repayment programs (also known as Repayment Assistance Programs) permit agencies to repay federally insured student loans. These programs can be "front end" or "back end", in which individuals borrow federal loans or accept scholarship funds paid up front with a commitment to fulfill a specified service completed during and/or after completion of their educational program. Failure to adhere to program guidelines can result in some scholarships being converted into federal unsubsidized loan. "Back end" programs will pay specified amounts for educational debt incurred while in school in return for a specific service.

#### **LOAN FORGIVENESS OPPORTUNITIES**

##### **Public Service Loan Forgiveness Program**

This program is only available to Federal Direct Loan borrowers. Federal Family Educational Loan Program (FFELP) loan borrowers may qualify if they elect to have their loans consolidated through the Federal Direct Loan Consolidation Program. This program is for people with federal student loans who work in a wide range of "public service" jobs, including jobs in government and nonprofit 501(c) (3) organizations. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made 120 separate monthly payments under certain repayment plans while employed full time by certain public service employers. Only payments made on or after October 1, 2007 count toward the required 120 monthly payments. Additional information can be obtained online at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).

##### **AmeriCorps**

In exchange for a year of full-time service, AmeriCorps members earn a Segal AmeriCorps Education Award which helps pay for college cost or pay back their student loans.

Call 1-800-942-2677 or <http://www.nationalservice.gov/programs/ameriCorps>

##### **Peace Corps**

Volunteers may apply for deferment of Stafford, Perkins and consolidation loans and partial cancellation of Perkins Loans (15% for each year of service). Volunteers make a real difference in the lives of real people with two years of service in more than 70 developing countries. Contact the Peace Corps at 1111 20th St., NW, Washington, DC 20526 or call 1-800-424-8580 or 1-202-692-1845.

##### **Volunteers in Service to America (VISTA)**

Volunteer with private, non-profit groups that help eradicate hunger, homelessness, poverty and illiteracy; call 1-800-942-2677 or 1-202-606-5000.

<http://www.nationalservice.gov/programs/ameriCorps/ameriCorps-vista>

## **Military Service**

Most branches of the military offer some incentive program for services rendered to health profession students. Eligibility amounts and service requirements will vary between military branches.

- Air Force: [www.airforce.com](http://www.airforce.com)
- U.S. Army: [www.goarmy.com](http://www.goarmy.com)
- Army National Guard: <http://www.nationalguard.com>
- NJ National Guards: [www.nj.gov/military/education](http://www.nj.gov/military/education)
- Navy: [www.navy.com/careers](http://www.navy.com/careers)

## **Doctor Of Physical Therapy-DPT**

Many hospitals and private healthcare facilities use loan forgiveness to recruit occupational and physical therapists. Contact the American Physical Therapy Association (1111 North Fairfax St., Alexandria, VA 22314-1488; 1-800-999-2782) or the American Occupational Therapy Association (P.O. Box 31220, 47200 Montgomery Lane, Bethesda, MD 20824-1220; 1-301-652-2682)

## **Nursing Students**

The Nursing Education Loan Repayment Program is a selective program of the U.S. Government that helps alleviate the critical shortage of nurses by offering loan repayment assistance to registered nurses and advanced practice registered nurses. Additional information and application requirements are available online at <http://www.hrsa.gov/loanscholarships/repayment/nursing/>. In the state of New Jersey, The Primary Care Practitioner Loan Redemption Program of New Jersey (NJLRP) was created to alleviate the state's maldistribution of primary care physicians and dentists, physician assistants, nurse practitioners and certified nurse midwives in rural and urban underserved areas. The NJLRP assists graduates from these academic disciplines who agree to work in underserved areas by repaying educational debt incurred during their academic studies. The program will redeem up to a maximum of \$120,000 over a four (4) year period in qualifying student loan debt.

The Primary Care Practitioner Loan Redemption Program of New Jersey  
Administrative Complex, Building 1, Room 119  
30 Bergen Street  
P.O. Box 1709 Newark, New Jersey 07101-1709  
(973) 972-4605  
<http://rbhs.rutgers.edu/lrpweb/>

## **Medical Students**

Contact the Association of American Medical Colleges or visit their website at [www.aamc.org](http://www.aamc.org). The National Institutes of Health has recently announced the availability of educational loan repayment under the NIH Extramural Loan Repayment Program for Clinical Researchers (LRP-CR) and the NIH Extramural Pediatric Loan Repayment Program (RPLRP). The LRP-CR and PR-LRP provide for the repayment of the educational loan debt of qualified health professionals who agree to conduct clinical or pediatric research. The programs offer repayment of up to \$35,000 of the principal and interest of the educational loans of extramural grantees or awardees for each year of obligated service, for a minimum commitment of two years. Also, NIH covers the federal taxes on the loan repayments which are considered taxable income to program participants. The purpose of these programs is the recruitment and retention of highly qualified health professionals as clinical investigators and pediatric researchers. Information regarding the eligibility requirements and benefits for the programs may be obtained via the LRP website at [www.lrp.nih.gov](http://www.lrp.nih.gov). Applications are submitted electronically and must be submitted via the LRP website.

## **Dental Students**

Contact the Division of Government Affairs of the American Dental Education Association or visit their website at [www.adea.org](http://www.adea.org).

## **CHAPTER 10**

### ***FREQUENTLY ASKED LOAN QUESTIONS***

#### **1. What is a Grace Period?**

A Grace Period is a block time frame (defined in your promissory note) where you are not required to make any loan payments. A student enters into their loan grace period upon graduation, leaving school, or dropping below halftime enrollment.

#### **2. Are Grace Periods available on private loans?**

Some private lenders do offer a Grace Period. To determine if you are eligible refer to the promissory note you signed when receiving the loan.

#### **3. Is there a Grace Period on the Federal Direct/Federal Family Educational Loan (FFELP) Program Graduate PLUS Loan?**

There are no Grace Periods available on a Federal Direct/FFELP Graduate PLUS Loan. Repayment period for a Direct PLUS begins at the time the loan is fully disbursed. The first payment is due within 60 days after the final disbursement to the school. However, PLUS Loans disbursed after July 1, 2008 can be placed in a forbearance for an additional 6 months after the borrower has graduated or is no longer enrolled.

#### **4. How do I determine if I have a Grace Period on my loan?**

The type of loan borrowed will determine the eligibility and length of the Grace Period. Student borrowers who have taken academic leave, had breaks in enrollment or were enrolled less than halftime more than 180 days may have exhausted their grace period. Borrowers should contact their loan servicers for details on their grace periods.

#### **5. How and when do I select a Loan Repayment Plan?**

As a Federal Student Loan borrower you have several repayment plan options. Repayment plans are designed to meet the different needs of individual borrowers. The amount you pay and the length of time to repay the loans will vary depending on the repayment plan selected. Borrowers should evaluate their current expenses and available income. Using a Repayment Plan Calculator can help determine what your "Repayment Ability" is. In other words, what you can afford to pay manageably each month based upon your monthly income. Your loan servicer(s) will contact you, usually 60 days before repayment is scheduled to begin to determine your options and give you the opportunity to select your desired repayment plan.

#### **6. Where can I find information on what my monthly student loan repayment could be?**

Loan borrowers will receive notification of their payment obligation directly from their lender and/or loan servicers. Notification can be sent by mail or email communication depending on what method the borrower has signed-up for. The most efficient means of obtaining this information is to sign-up for the lender/servicer(s) online loan products. Online information is updated consistently; reflecting the most currently reported demographic and loan status information. Online accounts provide an accurate breakdown of the monthly payment amount with the accrued interest and a schedule of future monthly payments. In addition, the Department of Education also provides a loan calculator on their website ([www.direct.ed.gov/calc.html](http://www.direct.ed.gov/calc.html)) which assists borrowers in determining the repayment amount for each repayment plan.

#### **7. I have multiple loans with one loan servicer. Does that mean I have multiple payments each month?**

Most loan servicers work to simplify the loan repayment process by providing one billing cycle. This one billing cycle presents the borrower with one monthly bill for all federal (and sometimes private loans) serviced by that provider. Borrowers should contact their loan servicers to verify this option.

**8. Can I select my monthly loan repayment due date?**

Your loan servicer(s) will provide you with your loan due date, but you may contact them and request a date that aligns with your pay check cycle or online billing method.

**9. How can I change or lower my monthly student loan repayment?**

Loan borrowers should contact their lender/servicer(s) to complete this action. However, changing a repayment plan does not always result in a reduced monthly payment. Borrowers should speak to their lender/servicer(s) directly before making any online adjustments to their loan account. Borrowers should compare and evaluate all loan options including forbearance and deferment.

**10. Can I prepay my federal loans?**

Yes, you may prepay your loans in part or in full at any time without any prepayment penalties regardless of the repayment plan. By prepaying a portion of your loans you can help reduce the total cost.

**11. How is prepayment applied to my loan balance?**

In general, payments received in excess of the borrower's monthly amount due will be applied to the next monthly payment. Borrowers who want prepayment amounts applied to a specific loan(s) should provide written instructions to their loan servicers outlining how the prepayment should be applied. Any outstanding monthly interest/fees must be paid off before the excess payment is applied to principal loan balances.

**12. Do deferment and forbearance impact my repayment term?**

No. Deferments and forbearance do not count against the repayment term on the loan. For example, if you have 90 months remaining in your repayment term at the effective start of your approved deferment or forbearance, you will have 90 months remaining at the end of your deferment or forbearance.

**13. Should I consolidate my federal loans?**

Consolidation is not a one-size-fits-all strategy for repaying student loans. Borrowers should evaluate their individual "Loan Portfolio" and determine the impact on monthly payment amounts, length of repayment terms, interest rates and overall total loan debt. Borrowers should consider consolidating if they are seeking long-term monthly payment relief, have multiple loans with multiple lenders/servicer(s) and/or variable-rate loans that they wish to change into a lower fixed-rate loan.

**14. Can I consolidate my federal and private loans together?**

The Federal Direct Loan Consolidation is only for federal student loans.

**15. What is the difference between loan consolidation and an extended repayment plan?**

Consolidation is not a repayment plan. It is the act of bundling one or more eligible loans into a new loan with a new fixed interest rate and terms. Consolidated loan borrowers are still required to select a repayment plan. The Extended Repayment Plan is one of the federal repayment plan

options. Repayment term is not to exceed 25 years and borrowers must have at least \$30,000 in eligible federal loan debt to qualify.

**16. What are electronic payments? Are there any benefits of doing this?**

Electronic payments or Electronic Debit Account (EDA) authorizes a borrower's designated bank to automatically deduct their monthly payments from a checking or savings account and send it directly to their loan servicers for payment. Most loan servicers will offer a borrower or repayment incentive; such as interest rate reduction or an up-front rebate for signing up for electronic payments.

**17. What is Loan Forgiveness?**

Under certain circumstances, the federal government will cancel all or part of a federal educational loan. To qualify, the borrower must perform or complete a specific task, such as volunteer work, military service, teach or practice medicine or work in a health related profession in certain types of communities or meet other criteria established by the forgiveness program.

**18. What is the Public Service Loan Forgiveness Program?**

This program is only available to Federal Direct Loan borrowers. FFELP loan borrowers may qualify if they elect to have their loans consolidated through the Federal Direct Loan Consolidation Program. This program is for people with federal student loans who work in a wide range of "public service" jobs, including jobs in government and nonprofit 501(c) (3) organizations. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made 120 separate monthly payments under certain repayment plans while employed full time by certain public service employers. Only payments made on or after October 1, 2007 count toward the required 120 monthly payments. Additional information can be obtained online at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).

**19. What is the difference between delinquent and default?**

Delinquency occurs when loan payments are past due or late. A delinquency period begins on the first day after the borrower has missed a payment. Default occurs when a loan is delinquent for 270 days or more. At that point, the owner (the school, the guarantor, and/or the federal government) of the loan can take action to recover the money owed. Consequences can include, but not limited to a lawsuit to recover loan debt and legal fees, loss of eligibility for federal/state financial aid programs, national credit bureaus will be notified, garnishment of wages and federal/state income tax refunds and loss of professional license. Borrowers who are having difficulties repaying their student loans should immediately contact their lender/servicer(s) for assistance and/or guidance.

**20. What are the Federal Loan Repayment Plan Options?**

Loan repayment plan options are outlined in the borrower's Federal Master Promissory Note. Currently, repayment options include the Standard, Graduated, Extended, Income Based Repayment, Pay As You Earn, Income Contingent or Income Sensitive. Borrowers should consult their loan lenders or servicers for details on their eligibility.

**21. What is Income Based Repayment (IBR)?**

An IBR is an income driven federal repayment plan option and is available to both Federal Direct and FFELP borrowers; excluding parent Direct/FFELP PLUS Loans. IBR is accessible to all federal student loan borrowers regardless of when the loan was taken out. Monthly payments are capped at an amount that is intended to be affordable based on the borrower's income and family size. Under IBR, eligible borrowers must demonstrate partial financial hardship (PFH) (as defined by

federal regulations). PFH is based on a formula set by the federal government that considers the borrower's income, state of residence, household size, and either the current balance of eligible federal loans or the balance of eligible federal loans at the start of repayment based on a 10-year standard term. For married borrowers, the PFH formula also takes into account the spouse's eligible loans. This plan also offers loan forgiveness after 25 years of qualifying loan payments. Borrowers who wish to qualify for this option will be required to complete a separate application directly with their lender/servicer(s).

## **22. What is Pay As You Earn (PAYE)?**

PAYE is an income driven federal repayment plan option and is available only to Federal Direct Loan borrowers. This plan is very similar to the IBR plan and is designed to limit the borrower's required monthly payment to an amount that is affordable based upon income and family size. This plan tends to yield the lowest required monthly payment amount of all available federal loan repayment plans. Additional information and loan calculators are available at <http://studentaid.ed.gov/>.

## **23. What is the difference between IBR and PAYE?**

IBR and PAYE are both income driven repayment plans, but there are some major differences that borrowers should be aware of when reviewing their repayment options. Some of these differences are the eligibility criteria, income-derived monthly payment amount and the length of repayment. The Eligibility criteria under PAYE only allows for Federal Direct Loans to be repaid. Additionally, a borrower must be considered a "new borrower", whereas they have no outstanding federal loan balance as of October 1, 2007. Under IBR FFELP and Directs Loans programs, a borrower may repay and there is no distinction for "new borrowers". Under PAYE the income Derived Payment amount is based on the following formula  $10\% \times \text{AGI less Discretionary Income} \div 12$ , while on IBR it is 15%. Therefore, a lesser monthly payment is usually provided under PAYE. The Repayment length for PAYE is 20 years and any remaining balance after is forgiven. Under IBR is it 25 years.

## **24. What is a Loan Statement?**

A loan statement is a financial document (or ledger) prepared by a lending institution and presented to the borrower at the repayment period; showing the amount and frequency of the installments for the loan repayment. Once your loan reaches the repayment period, usually six months after you graduate or leave school (or for some loans, when you drop below half-time enrollment in school), you will receive monthly billing statements. These statements will arrive approximately 20 days before your payment due date.

## **25. Are federal loan repayment options available for private loans?**

No. Private and/or Alternative Educational Loans are not federal student loans. Therefore, the terms, conditions and repayment obligations will be different and based on your loan statement. Repayment information will be provided directly by the lending institutions. Borrowers should refer to their promissory note for information on the loan terms and conditions.

## **26. Can I reconsolidate my loans if I've consolidated them in the past?**

Only in rare cases, including if you have new loans to consolidate that were not included in the first consolidation loan, if you are in default on a FFELP consolidation loan or if you want to get into the public service forgiveness program.

## **27. How do I obtain information on my private loan I borrowed?**

Borrowers will need to contact their lender(s) directly. Refer to Chapter 7 (Alternative Loans) of our Exit Handbook for additional information and contact directory. A free credit report maybe

requested at [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com). AnnualCreditReport.com provides consumers with the secure means to request and obtain a free credit report once every 12 months from each of the three nationwide consumer credit reporting companies in accordance with the Fair and Accurate Credit Transactions Act (FACT Act).

**28. If I consolidate a Graduate PLUS Loan with my Direct/FFELP Subsidized and Unsubsidized Loans am I eligible for IBR?**

Yes, only loans consolidated with a Parent PLUS Loan are excluded from IBR.

**29. What is Negative Amortization?**

Negative amortization occurs whenever the loan payment for any period is less than (not covering the cost) the interest charged over that period. This causes the balance owed on the loan to increase. Interest capitalization is a form of negative amortization.

**30. How do I obtain help on resolving a student loan dispute or problem?**

Borrowers should contact their loan lender or servicer first. Keeping current and accurate records of all correspondence, borrowing history, payments and postponement records can help streamline most loan disputes/problems. However; if resolution is not possible contact the Federal Student Financial Aid Ombudsman for assistance at (877) 557-2575 or via the web at [fsahelp.ed.gov](http://fsahelp.ed.gov) or [ombudsman.ed.gov](http://ombudsman.ed.gov).

**31. Are there any tax credits, deduction and saving plans available to taxpayers to assist with the expense of higher education?**

There are many tax benefits associated to the expense of higher education, established under the Tax Payer Relief Act of 1997. A Tax Credit earned under the American Opportunity Credit, Hope Tax Credit or Lifetime Learning Credit will reduce the amount of income tax that must be paid. College Tuition and Student Loan Interest Deduction will reduce the amount of income that is subject to be taxed. There are income limits. Detailed eligibility information is available online at [www.irs.gov](http://www.irs.gov) or consult a tax advisor.

## CHAPTER 11

### ***DELINQUENCY AND DEFAULT STUDENT'S RESPONSIBILITY***

As outlined in the promissory notes staying current and not being delinquent or going into default is the **borrower's** responsibility.

#### **REASONS FOR DEFAULT**

- Deferments were not filed.
- Address changes were not reported.
- Loans were not repaid.
- Borrowers did not respond to mailing from lender/servicer.
- Name changes were not reported

#### **PREVENTIVE MEASURES**

- Lenders may sell certain student loans to servicers/secondary markets at any time. Borrowers should be notified by their original lender(s) when this occurs. Borrowers must pay special attention to their accounts to insure payments are received by the appropriate office. A delinquency status can occur simply by making payments to the original lender as opposed to the new lender or servicing center which currently holds the loans.
- File deferment or forbearance forms on time each year and keep copies for your records.
- Check for mail at least every two weeks, if using your parents' address and/or another address other than your current residence.
- Send all correspondence to your lender/servicer **certified mail** and always keep a copy for your records.
- Stay in touch with your lender/servicer
- Use U.S. Postal Service Change of Address mail forwarding system to avoid lost servicer correspondence.

After a missed payment the lender should be in touch; however, according to the promissory notes, payments are the borrower's responsibility.

**Once your loan enters default status it is too late.** You may be required to repay the entire amount immediately. Therefore, it is imperative that you know the status of your account. Many lenders/servicers have online capabilities which allow you to update and review your loan portfolio at your convenience.

#### **CONSEQUENCES OF DEFAULT**

- Loans guaranteed by the State will be repurchased by the State. The lender may not be willing to buy them back.
- Nationwide credit bureaus will be notified.
- SOIL (State Offset Income Liability) - the borrower's name will be sent to the State.
- State income tax refund will be withheld.
- FOIT (Federal Offset Income Tax) - federal refund will be withheld.
- Litigation will be initiated.
- Wages will be garnished.
- Liens will be placed on property.
- Medical Practicing Licenses may be suspended.



**REPAYMENT OF STUDENT LOANS SHOULD BE GIVEN TOP PRIORITY WHEN PLANNING YOUR FINANCES. THEY HAVE THE SAME WEIGHT AS ANY CONSUMER LOANS SUCH AS A MORTGAGE OR CAR PAYMENT. IT CAN SEVERELY DAMAGE YOUR CREDIT.**

## **CHAPTER 12**

### ***EFFECTIVE COMMUNICATION***

#### **PREPARE**

- Know your options
- Keep records
- Open and READ all mail
- Be proactive

#### **INITIATE**

- Utilize Lender/Servicer/Guarantor Websites to Keep Track of the Status of Your Loans
- Ask Your Lender to Send a Repayment Schedule If You Do Not Receive One
- Keep Copies of All Materials You Send to Your Lender/Servicer/Guarantor
- Send Important Documents via Registered or Certified Mail and Return Receipt Requested

#### **COMMUNICATE**

- Know the players (Secondary Market, Lender, Servicer, Guarantors and Holder)
- Initiate Communication with Your Lender, Servicer or Guarantor
- Document Phone Conversation
- Keep Telephone Numbers
- Document date(s) you called and the Representative's Name who Assisted You

#### **NOTIFY YOUR LENDER/SERVICER /GUARANTOR WHEN OR IF THERE ARE CHANGES TO:**

- Name, address and social security number;
- Enrollment if it drops below half-time;
- Other enrollment status such as: graduation, withdrawal, transfer, taking a leave of absence or break in enrollment
- If you return to school;
- Change your loan repayment options to a graduated, income sensitive or extended repayment plan to lower your monthly payment;
- Obtain a deferment to postpone payments if you are in school, unemployed, or experiencing financial hardship;
- Acquire a forbearance to delay or reduce your payments; need to apply for forbearance; or cannot pay furnish payment.

***REMEMBER ALL DEFERMENTS AND FORBEARANCES START WITH YOU!***

## **CHAPTER 13**

### ***FEDERAL STUDENT AID OMBUDSMAN GROUP***

Have a question about Federal Student Loans? Contact the student loan Customer Service Centers. If you are not sure which Service Center to call please contact the Customer Care Center at 1-800-433-3243, or by TTY 1-800-730-8913.

#### **OFFICE OF THE OMBUDSMAN GROUP**

The Ombudsman Group is a final resource for individuals looking for help resolving their student loans difficulties when other customer service avenues are not providing adequate resolution. Before contacting them, borrowers concerned about student loans should contact their loan holder or follow their recommendations to resolve the problem. Current students should contact their financial aid office first.

- When contacting the Ombudsman Group, be ready to:
- Identify the problem and the reason behind it
- Define expectations
- Describe actions already taken to resolve the problem
- Supply documentation to support your position

The easiest way to contact the Ombudsman Group is to file an on-line assistance request through their website at: <https://studentaid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman>.

#### **Mail:**

U.S. Department of Education  
FSA Ombudsman Group  
830 First Street NE, Mail Stop 5144  
Fourth Floor  
Washington, DC 20202-5144

#### **Phone:**

877-557-2575 (Toll Free)

#### **Fax:**

1-202-275-0549

**Website:** <https://studentaid.ed.gov/sa>

#### **RESOLVE A PROBLEM**

The website provides detail information on the process and the resources to assist you in resolving issues with your student loan. To prepare for a discussion with the Ombudsman Group you must:

1. Completed the relevant information on the Ombudsman Information Checklist
2. Think about the outcome you want and ask these questions:
  - What is the problem?
  - What is your expectation?
  - What is preventing you from resolving your issue?
  - Are you willing to complete the necessary action to achieve your desired outcome?

#### **WHERE CAN YOU GET ADDITIONAL INFORMATION**

For private loans contact the Consumer Financial Protection Bureau Debt Resolution.

For your FFEL Program, you can contact your lender/servicer or guarantor in ED's Directory of Guarantee Agencies at: <https://studentaid.ed.gov/sa/repay-loans/understand/servicers>.

If you want to apply for a Total and Permanent Disability Discharge, you can contact your servicer for the application.

**CHAPTER 14**  
**RBHS STUDENT FINANCIAL AID WEBSITE**  
<https://financialaid.rutgers.edu/>

The Student Financial Aid website is a tool available to future and current students as well as graduates of RBHS. You are encouraged to visit the RBHS Student Financial Aid Website to view materials provided during the Exit Interview process. Resource links are up to date, along with lender information.

Individual loan portfolios may contain campus based loans along with Federal Stafford, Federal Direct, Graduate PLUS, and private/alternative loans.

**CAMPUS BASED LOANS**

Campus based loans are described as: Federal Perkins Loan, Primary Care Loan, Loan for Disadvantaged Students and Institutional Alumni Loans.

These loans are serviced separately by the RBHS Student Loan Office through:

Heartland ECSI  
181 Montour Run Road  
Coraopolis, PA 15108

Deferment and forbearance forms for campus based loans can be downloaded and processed through the above servicing agent website located at <http://borrower.ecsi.net>. Recipients of campus based loans should work with the Student Loan Department at RBHS to ensure all appropriate forbearance and/or deferment forms relating to campus based loans have been received and processed.

**FEDERAL LOANS**

Federal loans are described as: Federal Stafford, Federal Direct and Graduate PLUS loans.

**WEBSITE POP UPS**

The use of the internet provides an easy quick way of conducting business. Be very careful to **read judiciously** the sites you are on. Along with convenience, the worldwide web provides an opportunity for “popup” student loan program solicitations that can seamlessly override a ‘URL’ address. Be cautious when providing personal information including your social security number.