

STUDENT LOAN REPAYMENT GUIDE



A PUBLICATION BY
CONNECTICUT DEPARTMENT OF BANKING
STUDENT LOAN OMBUDSPERSON OFFICE





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01

WELCOME



Welcome to the **Student Loan Repayment Guide**, a collection of helpful information for current college students, recent graduates, parents and anyone seeking to repay student loans.

Student loan repayment can be difficult to understand. This guide is intended to be a starting point to help you understand your loans, rights, responsibilities, repayment options and where to get more information. It also describes ways your loan servicer can help you and how to protect yourself from scams.

This guide is updated annually and is current as of October 2024. Current information should always be accessed through the relevant links throughout this guide.



02

BORROW

What is a Student Loan?

A **student loan** (also known as an education loan) is a financial aid option that allows you to borrow money from either the federal government, private organizations, or higher education institutions to help you pay for college, post-secondary, and higher education-related expenses. Student loan repayment is handled by third-party companies called **servicers**. The Department of Banking regulates Student Loan Servicers who do business in Connecticut.



Types of Student Loans

The Connecticut Office of the Student Loan Ombudsperson through the Department of Banking works primarily with three different types of student loans:

Federal

**CT
Based**

Private

The U.S. Department of Education offers the following types of student loans:

William D. Ford Federal Direct Loan Program

The William D. Ford Federal Direct Loan (Direct Loan) Program is the largest federal student loan program. The U.S. Department of Education is your **lender**. There are three main types of awarded Direct Loans:

Direct Subsidized Loans

Available to undergraduate students who demonstrate financial need. Your school determines how much you can borrow and the amount can't exceed your financial need.

Direct Unsubsidized Loans

Available to both undergraduate and graduate students. There is no requirement to demonstrate financial need. Your school determines how much you can borrow, and the amount is contingent upon cost of attendance, year in school, and other financial aid.

Direct PLUS Loans

Graduate PLUS Loans

Available to graduate or professional students to help cover education expenses not covered by other financial aid options.

Parent PLUS Loans

Available to parents of dependent undergraduate students to help pay for education expenses not covered by other financial aid.

Some federal loan borrowers may have student loans through these former federal loan programs and are encouraged to visit Student Aid for more info:

Federal Perkins Loan

Federal Family Education Loan (FFEL) Program

The State of Connecticut offers assistance through CHESLA:

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

CHESLA is a quasi-public state authority created to help students and their families finance the cost of higher education. CHESLA serves as an alternative source of loan funds for:

- students in or from the State of Connecticut who do not qualify for need-based loans,
- need to borrow more than the maximum amounts provided by other loan programs,
- or seek other loan options and services.

*Loans from CHESLA **are not** federal loans and **are not** regulated by CT Department of Banking.*

Private lending is also available:

Private Education Loans

Private education loans are loans offered typically by private organizations/lenders such as banks, credit unions, schools, and state-based or state-affiliated organizations. Private education loans:

- may require payments while in school,
- have variable or fixed interest rates,
- are often not subsidized,
- and, in most cases, are based on credit history.

Prospective borrowers should thoroughly review loan terms as options may differ from federal repayment options and loan forgiveness and/or consolidation may not be available for private education loans.

CT
BASED

PRIVATE



03
PLAN

About to enter repayment? Here are a few things to consider before you do:

1 Update your contact information

Sign into **Federal Student Aid** to verify that your contact information is up to date.

Make a list of all your student debt using these resources:

2

Federal Loans: **Federal Student Aid**
Private Loans: **Annual Credit Report**

3 Select a repayment plan based on affordability and your eligibility

Federal student loan borrowers should review repayment plan options before the end of your grace period. If no plan is selected during the grace period, you will be placed into the “standard repayment plan.”

Know your Student Loan Servicer

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Student Loan Servicers are companies that collect payments, respond to customer service inquiries, and do other administrative tasks associated with maintaining a student loan.

Repayment Plan Options

There are many **repayment plans** for your federal student loans that are based on the type of loan you are paying back, and your current education and employment situation. Federal student repayment plans fall into one of two categories:

Fixed Payment Repayment Plans

Fixed Payment Repayment Plans base your monthly payment on: how much you owe, your interest rate, and a fixed repayment.

Income Driven Repayment (IDR) Plans

Income driven repayment (IDR) plans calculate your monthly payment amount based on income and family size. At the time of this publication, there are four IDR plans available. Refer to **Student Aid** for the most current information regarding IDR plans.

Direct Loan Consolidation

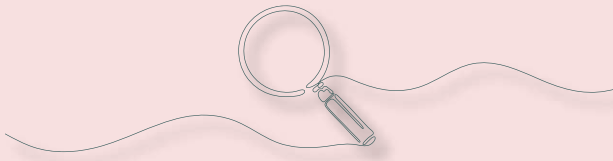
Consolidating federal loans gives borrowers the opportunity to combine their loans into a new Direct Loan Consolidation Loan and therefore have only one monthly payment. Once you have a Direct Consolidation Loan, it can't be undone.

To determine if federal consolidation is the right option or to apply, visit **Federal Student Aid**.

Consider Autopay

Student loan servicers generally offer an interest-rate reduction to incentivize enrollment in autopay. This can be done anytime and can also simplify the repayment process. Log in to your servicer's portal to enroll in autopay.

You must repay your loans even if you don't complete your education, can't find a job related to your program of study, or are dissatisfied with your education.



How do I find my student loan **servicer**?



Federal Loans

Visit **Federal Student Aid** for contact information for federal student loan servicers.

Private Loans

Contact the lender of your private education loan.

What can **servicers** do to help you?

- Answer questions about your student loan
- Counsel you on making your loan payments affordable
- Process deferments and forbearances
- Provide assistance with repayment, consolidation forgiveness, cancellation or discharge options

What should I know about working with student loan **servicers**?

1. Don't ignore letters from your servicers and notify them of any change of address.
2. Visit your servicer's website for contact and other information.
3. When possible, communicate with your servicer in writing and keep a dated log along with copies of all bills and receipts.
4. Each loan has its own loan servicer, however, some of your loans may share the same servicer and servicers may change while paying off your loan.





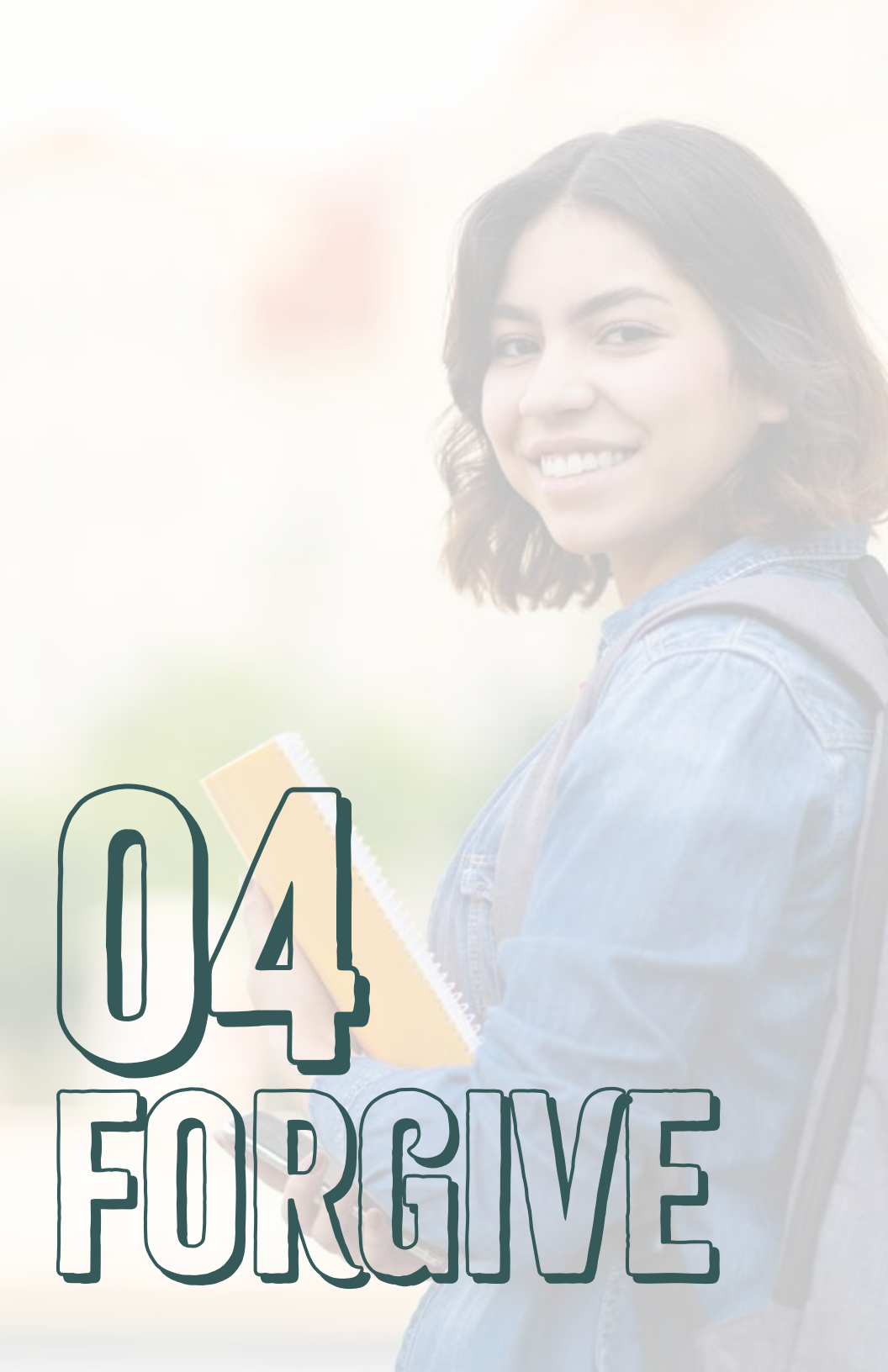
Fixed Payment Repayment Plans

Payment Plan	Details	Terms
Standard	<p>Default repayment plan</p> <p>Repayment generally 10 years or less (longer if consolidated)</p> <p>Payments are fixed (example: \$50/month)</p>	<p>Pay off your loans faster</p> <p>Pay less total interest</p> <p>Cheapest option in the long-term</p>
Graduated	<p>Monthly payments start lower than the Standard plan and increase every two years</p> <p>Payments are always high enough to cover interest accrued</p> <p>Generally paid off in 10 years or less (longer if consolidated)</p>	<p>Good for those who are struggling to meet standard payments now, but expect their income to increase in the future</p> <p>Avoids capitalization (having unpaid interest added to your principal balance)</p>
Extended	<p>For those with more than \$30,000 in loans (principal and interest)</p> <p>Lower monthly payments than the Standard Plan</p> <p>Payback period of up to 25 years</p> <p>Fixed or graduated payments</p>	<p>Lower monthly payments than the Standard Plan</p>

Income Driven Repayment Plans

Payment Plan	Details	Terms
SAVE Plan	Based on income/family size 5% of discretionary income for undergraduate-only borrowers	20 years for only undergraduate 25 years for graduate or professional
PAYE Plan	Based on income/family size 10% of discretionary income for undergraduate-only borrowers	20 years No new enrollments as of 7/1/2024
IBR Plan	Based on income/family size 10% of discretionary income for loans after 7/1/2014; 15% before 7/1/2014	20 years (loans after 7/1/2014) 25 years (loans before 7/1/2014)
ICR Plan	20% of discretionary income	25 years No new enrollments as of 7/1/2024





04

FORGIVE

What is Loan Forgiveness?

Loan Forgiveness is the cancellation of some or all of your remaining federal student loan balance in certain circumstances. This means that you won't have to pay back some or all of your loan(s).



Types of Loan Forgiveness

Loan Forgiveness falls into one of two categories:

Loan Forgiveness Program

Public Service Loan Forgiveness (PSLF)

Teacher Loan Forgiveness (TLF)

Loan Discharge

Borrower Defense Loan Discharge

Closed School Discharge

Loan Forgiveness Programs



Public Service Loan Forgiveness (PSLF)

Public Service Loan Forgiveness (PSLF) is the forgiveness program most commonly used by people applying to have their student loans forgiven. If you're employed by a government or not-for-profit organization, the PSLF program may forgive the remaining balance on your Direct Loans after meeting certain requirements.

Teacher Loan Forgiveness (TLF)

The Teacher Loan Forgiveness (TLF) Program encourages individuals to enter and continue in the teaching profession. Under TLF, you may be eligible for forgiveness of up to \$17,500 of your Subsidized and Unsubsidized Direct and/or Stafford Loans.

Borrowers can potentially receive forgiveness under both PSLF and TLF, but not for the same period of service. Visit Federal Student Aid for more information.

Discharge differs from forgiveness in that your obligation to repay your loan is removed.



Loan Discharge Programs



Borrower Defense Discharge

Borrower Defense Discharge is a federal regulation that allows students who were defrauded by their school in connection with taking out federal student loans to seek discharge of those loans. In other words, if your school misled you or engaged in other misconduct, you may be eligible for relief from repaying your loans. Borrower Defense to Repayment is offered through the U.S. Department of Education.

Closed School Discharge

Did your school close while you were enrolled or shortly after you withdrew? If so, your Direct Loan, Federal Family Education Loan (FFEL) Program loan, or Federal Perkins loan may be eligible for Closed School Discharge.

More info on Student Aid:

Public Service Loan Forgiveness (PSLF)

Teacher Loan Forgiveness (TLF)

Borrower Defense Discharge

Closed School Discharge





05

PROTECT

Protect Yourself from Financial Aid Scams

Paying for college is likely to be one of the biggest monetary investments you can make in your lifetime. Scammers take advantage of this and will often make false claims promising they can help you get financial aid, offer ways to help lower monthly student loan payments, or even eliminate balances entirely. Protect yourself from these scams by looking for the warning signs.

- ▶ Aggressive or urgent advertising language.
- ▶ Promises that seem too good to be true.
- ▶ Charging and pressuring you to pay up-front or monthly fees.
- ▶ Asking for log-in information.
- ▶ Asking you to sign and submit a third-party authorization form.
- ▶ Communications containing typos, spelling errors, or grammatical errors.
- ▶ Unofficial addresses or phone numbers.

Head to our **website** for an in depth look at how best to protect yourself.



06

GUIDANCE



We're here to help.



**Connecticut Department of Banking
Office of the Student Loan Ombudsperson**



dob.studentloanombuds@ct.gov



**Direct: (860) 240-8122
Toll-Free: (800) 831-7225, option 2**

Glossary

Cancellation: The release of the borrower's obligation to repay all or a designated portion of principal and interest on a student loan. This is also called discharge or forgiveness of a loan.

Consolidation: The process of combining one or more loans into a single new loan.

Death Discharge: If you, the borrower, die, then your federal student loans will be discharged. If you are a parent PLUS loan borrower, then the loan may be discharged if you die, or if the student on whose behalf you obtained the loan dies.

Default: Failure to repay a loan according to the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than 270 days. You may experience serious legal consequences if you default.

Deferment: A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue on Direct Subsidized Loans, Subsidized Federal Stafford Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s).

Direct Consolidation Loan: A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan. As a result of consolidation, you will have to make only one payment each month on your federal loans, and the amount of time you have to repay your loan will be extended.

Direct Loan: A federal student loan, made through the William D. Ford Federal Direct Loan Program, for which eligible students and parents borrow directly from the U.S. Department of Education at participating schools. Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans are types of Direct Loans.

Discharge: The release of a borrower from the obligation to repay his or her loan.

Discharge in Bankruptcy: If you file Chapter 7 or Chapter 13 bankruptcy, you may have your loan discharged in bankruptcy only if the bankruptcy court finds that repayment would impose undue hardship on you and your dependents. This must be decided in an adversary proceeding in bankruptcy court. Your creditors may be present to challenge the request.

Federal Student Loan: A loan funded by the federal government to help pay for your education. A federal student loan is borrowed money you must repay with interest.

Federal Family Education Loan (FFEL) Program: Under this program, private lenders provided loans to students that were guaranteed by the federal government. These loans included Subsidized Federal Stafford Loans, Unsubsidized Federal Stafford, FFEL PLUS Loans, and FFEL Consolidation Loans. Federal student loans under the FFEL Program are no longer made by private lenders. Instead, all new federal student loans come directly from the U.S. Department of Education under the Direct Loan Program.

Federal Perkins Loan: A federal student loan, made by the recipient's school, for undergraduate and graduate students who demonstrate financial need. At the time this manual was drafted, Federal Perkins Loans were not available, although many borrowers still may be paying them back.

Fixed Interest Rate: A fixed interest rate means your interest rate will stay the same for the duration of your repayment period.

Forbearance: A period during which your monthly loan payments are temporarily suspended or reduced. Your lender may grant you forbearance if you are willing but unable to make loan payments due to certain types of financial hardships. During forbearance, principal payments are postponed but interest continues to accrue. Unpaid interest that accrues during the forbearance will be added to the principal balance (capitalized) of your loan(s), increasing the total amount you owe.

Grace Period: A period of time after borrowers graduate, leave school, or drop below half-time enrollment where they are not required to make payments on certain federal student loans. Some federal student loans will accrue interest during the grace period, and if the interest is unpaid, it will be added to the principal balance of the loan when the repayment period begins.

Grant: Financial aid, often based on financial need, which does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

Interest: A loan expense charged for the use of borrowed money. Interest is paid by a borrower to a lender. The expense is calculated as a percentage of the unpaid principal amount of the loan.

Loan Forgiveness: Loan forgiveness is the cancellation of all or some portion of your remaining federal student loan balance. If your loan is forgiven, you are no longer responsible for repaying that remaining portion of the loan.

Loan Servicer: A company that collects payments, responds to customer service inquiries, and performs other administrative tasks associated with maintaining student loans on behalf of a lender.

New Borrower: Someone who has no outstanding balance on a Direct Loan or Federal Family Education Loan (FFEL) Program loan when he or she receives a Direct Loan or FFEL Program loan on or after a specific date.

PLUS Loan: A loan available to graduate students and parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status.

Private Loan: A student loan made by a lender such as a bank, credit union, state agency, or school.

Qualifying Public Services: For the purposes of the Public Service Loan Forgiveness Program, a not-for-profit organization that is not tax-exempt under Section 501(c)(3) of the Internal Revenue Code is considered a qualifying employer if it provides certain public services.

Service Obligation: The teaching service requirement set out in the Agreement to Serve (ATS) that you must sign to receive a TEACH Grant. By signing the ATS, you agree to teach (1) full-time, (2) in a high-need field, (3) at a low-income school or educational service agency that serves certain low-income schools, and (4) for at least four complete academic years within eight years after completing (or ceasing enrollment in) the course of study for which you received the grant. If you do not complete your

teaching service agreement, the amounts of the TEACH Grants you received will be converted to a Direct Unsubsidized Loan that you must repay with interest charges from the date of each TEACH Grant disbursement.

Subsidized Loans: A subsidized loan is based on financial need for which the federal government pays the interest that accrues while the borrower is in an in-school, grace, or deferment status. For Direct Subsidized Loans first disbursed between July 1, 2012, and July 1, 2014, the borrower will be responsible for paying any interest that accrues during the grace period. If the interest is not paid during the grace period, the interest will be added to the loan's principal balance.

Total and Permanent Disability Discharge (TPD): A TPD discharge relieves you from having to repay a William D. Ford Federal Direct Loan Program loan, Federal Family Education Loan (FFEL) Program loan, and/or Federal Perkins Loan (Perkins Loan) Program loan or complete a TEACH Grant service obligation on the basis of your total and permanent disability. Before your federal student loans or TEACH Grant service obligation can be discharged, you must provide information to the U.S. Department of Education to show that you are totally and permanently disabled. ED will evaluate the information and determine if you qualify for a TPD discharge.

Unpaid Refund Discharge: You may be eligible for a discharge of your Direct Loan or FFEL Program loan if you withdrew from school, but the school didn't pay a refund that it owed to the U.S. Department of Education or to the lender, as appropriate.

Unsubsidized Loans: A loan for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.

Variable Interest Rate: A variable interest rate means your interest rate may change during your repayment period.

William D. Ford Federal Direct Loan (Direct Loan) Program: The federal program that provides loans to eligible student and parent borrowers under Title IV of the Higher Education Act. Funds are provided by the federal government to eligible borrowers through participating schools.

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<https://studentaid.gov/understand-aid/types/loans>

Federal Perkins Loan

<https://studentaid.gov/understand-aid/types/loans/perkins>

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Office of the Student Loan Ombudsperson

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