

BORROWING & REPAYMENT

Know how student
loans work.



Illinois
Student
Assistance
Commission

A student loan can help open the door to your educational future. It can put you on the path to fulfilling your dreams and meeting your goals, and be the first step in creating opportunities that will last a lifetime. It's also a serious financial and legal obligation for which you will have the sole responsibility. So serious, in fact, that the federal government requires all student loan borrowers to receive counseling at the beginning (entrance) and end (exit) of their college experience.

Whether you're borrowing your first student loan, and just learning about the process, or leaving college to enter the working — and student loan payment — world, this brochure offers important entrance and exit counseling information that will help you manage your student loan debt.

The information contained here deals primarily with the Federal Family Education Loan Program (FFELP), in particular subsidized and unsubsidized Federal Stafford loans and Graduate/Professional PLUS loans. If you have an educational loan through another loan program (e.g., Federal Direct Loan Program, Federal Perkins Loan Program), the brochure will be helpful, but may not answer all of your questions. Contact your college financial aid administrator for detailed information on other educational loan programs.

When deciding to borrow an educational loan, be it your first loan or subsequent loans, you should first exhaust all other options for financing your college education. College financial aid is awarded in the form of grants, scholarships, work-study and loans. Your financial aid office determines which of these types of assistance you might be eligible for, and which are the most beneficial for you. Here's a brief description of how each works:

KNOW YOUR OPTIONS

Grants are awards based on the financial need of the student and family and their limited ability to pay for college. Grants do not need to be repaid when college is completed.

Scholarships can be awarded based on academic achievement, athletic ability, artistic talent or ethnic background, as just a few examples. Scholarships also generally do not require repayment, but some may have conditions that will need to be fulfilled to receive the award, or prevent it from becoming a loan.

Work-study (or part-time employment) opportunities for a student can be provided by the college through federal, state or institutional employment programs.

Loans must be repaid and should always be considered as the last resort for paying for your education. You (and your parents, if you're a dependent student) may receive loans through federal programs or private or alternative sources. The first rule of thumb for borrowing any kind of loan, including an educational loan, is to never borrow more than you need, since the more you borrow, the more you'll have to pay back later — with interest. You also might want to consider researching the starting salaries of career fields in which you're interested, and then determining what percentage of your after-college income should be taken up by educational loan payments. Use the SLOPE Calculator at collegezone.com to help ensure you don't borrow more than you can reasonably be expected to repay, based on your income.

KNOW THE PLAYERS

You'll probably come into contact with a lot of different people and organizations throughout your borrowing years. It's important to know who they are and what their roles are.

College — The financial aid office at the college is where you'll learn how much financial aid you can be expected to receive, and how much of that will be in the form of a student loan. You may apply for your loan through the college (or in some cases, you can apply online with your lender), as well as receive your required entrance counseling, pick up your loan proceeds if funds remain after your college account has been settled, and receive required exit counseling when you stop attending.

Lender — the financial institution (i.e., bank, credit union) that provides the funds for your student loan.

Servicer — an organization that contracts with lenders and secondary markets to service (perform administrative tasks like processing the loan) and collect loans. This is often the organization with which you'll have the most contact once you leave college.

Holder — an institution that owns the legal title to your loan. The holder may be the original lender, a secondary market, another lender who purchases your loan, or in the case of a defaulted loan, the guaranty agency or the federal government.



Secondary Market — an organization that purchases loans from lenders. Not all lenders sell loans to secondary markets, but it is a common practice. If your loan is sold, you will be notified and the secondary market will then become the holder of your loan, but a servicer may still be involved.

Guaranty Agency — a private, non-profit, or state agency that has an agreement with the U.S. Department of Education (ED) to administer and act as an agent for FFELP loans for a state or region, and is available to answer borrower questions about their FFELP loans. ISAC is the state agency in Illinois that serves this function.

Because you'll be in frequent contact with one or more of these organizations until you finish repaying your student loan, be sure to keep track of the contact persons at each, and the best way to reach them. Use the Contacts area in the back of this brochure so the information is easily accessible. Always document every contact you make, keeping a description of the discussion and the name of the person with whom you spoke.

KNOW

THE DIFFERENCES BETWEEN SUBSIDIZED AND UNSUBSIDIZED LOANS

You may have qualified for a subsidized or unsubsidized Stafford loan, a Graduate/Professional PLUS loan or a combination of those types. With all of these loans, the student is the borrower and responsible for repaying the loan.

Subsidized Federal Stafford loans — eligibility is based on financial need, and the interest is paid by the federal government during the in-school, grace and deferment periods.

Unsubsidized Federal Stafford loans and Graduate/Professional PLUS loans — eligibility is not based on financial need, and the student is responsible for paying the interest from the date funds are disbursed. Borrowers may make monthly or quarterly interest payments to the lender, or the interest can be added to the balance of the loan when it enters repayment. The second option, known as capitalization, will cause your monthly payment amount to be higher.



KNOW YOUR LIMITS

Federal Stafford loans have annual loan maximums that are based on your academic level, your dependent or independent status, and the length of the program in which you're enrolled. The maximum amount you can borrow applies to a combination of both subsidized and unsubsidized Stafford loans.

The maximum amount that you can borrow under the PLUS Loan Program as a graduate/professional student is the cost of attendance minus financial aid.



FEDERAL STAFFORD LOAN LIMITS

Dependent Undergraduate Students	
Academic Level	Annual Total (Combined Subsidized & Unsubsidized*)
Freshman	\$5,500 (up to \$3,500 may be subsidized)
Sophomore	6,500 (up to \$4,500 may be subsidized)
Junior	7,500 (up to \$5,500 may be subsidized)
Senior	7,500 (up to \$5,500 may be subsidized)
Subsequent Undergrad. Levels	7,500 (up to \$5,500 may be subsidized)
* Additional unsubsidized Federal Stafford loan amounts are available to dependent students whose parents do not qualify for a Federal PLUS loan, or who the financial aid administrator judges to be eligible in certain circumstances.	

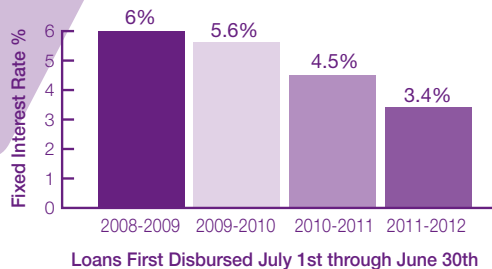
Independent Undergraduate Students	
Academic Level	Annual Total (Combined Subsidized & Unsubsidized)
Freshman	\$ 9,500 (up to \$3,500 may be subsidized)
Sophomore	10,500 (up to \$4,500 may be subsidized)
Junior	12,500 (up to \$5,500 may be subsidized)
Senior	12,500 (up to \$5,500 may be subsidized)
Subsequent Undergrad. Levels	12,500 (up to \$5,500 may be subsidized)
For some undergraduate programs less than an academic year, the annual loan maximums will be lower.	

Graduate Students	
Annual Total (Combined Subsidized & Unsubsidized)	\$20,500 (up to \$8,500 may be subsidized)

Federal Stafford Loan Aggregate Maximum	
Undergraduate	
Student Status	Aggregate Maximum
Dependent	\$31,000 (up to \$23,000 may be subsidized)
Independent	\$57,500 (up to \$23,000 may be subsidized)
Graduate (includes undergraduate borrowing)	
Student Status	Aggregate Maximum
Independent	\$138,500 (up to \$65,500 may be subsidized)

KNOW YOUR RATES AND FEES

Interest Rates — The current interest rate for unsubsidized Stafford loans for undergraduate students, and for subsidized and unsubsidized Stafford loans for graduate students is fixed at 6.8%. The interest rate on subsidized Stafford loans for undergraduate students is being gradually reduced over a period of years, as shown below:



If you had a previous loan(s) at a variable rate, it will remain variable, with the rate changing every year on July 1st.

The interest rate for Graduate/Professional PLUS loans is 8.5%.

Loan Fees — Federal student loans are subject to two fees, making the amount you actually receive less than the amount you borrow. The fees help offset the operational expenses of the program and the cost of potential loan defaults. A 0.5% federal origination fee on Stafford loans and a 3% fee on PLUS loans will be subtracted from the loan proceeds before each disbursement (loans are usually disbursed in at least two installments). Guaranty agencies are also authorized to assess a 1% default fee on each loan; however, ISAC may pay a portion of this fee on behalf of student borrowers. The percentage of loan amount charged and/or the assessment of the fee by the guaranty agency are subject to change. Please check with your lender, the college or collegezone.com for current fees.

KNOW WHAT YOU'RE SIGNING

All Federal student loan borrowers must complete and sign (either on paper or in an electronic format) a Master Promissory Note (MPN), agreeing to repay the loan funds plus interest to the lender. You'll be able to receive multiple loans from the same lender under the same MPN over a maximum 10-year period. Unless you change lenders, or your college requires you to do so, you probably won't need to sign another promissory note when you borrow another loan(s).

Regardless of whether you signed one or multiple MPN's, or some other FFELP promissory note, you are legally responsible for repaying all the funds certified by the college and disbursed to you. You are also responsible for repaying your loan even if you don't complete your education, don't complete the program within the regular

time for program completion, don't get a job after leaving college, don't get a job in your field, or feel dissatisfied with the quality of education you received.



KNOW YOUR RESPONSIBILITIES

Your educational loan is a serious responsibility, and should never be taken lightly. Before accepting any loan proceeds, it's to your advantage to know exactly what your responsibilities are.

You must notify your financial aid office immediately if you:

- reduce your enrollment status to less than half time
- withdraw from or stop attending classes
- fail to re-enroll
- change your name, local or permanent address, telephone number and/or e-mail address while enrolled
- transfer to another college.

You must use the loan money for authorized educational expenses incurred at the college you attend during the academic period for which the loan is guaranteed. Authorized expenses include:

- tuition and fees
- room and board
- books, supplies and equipment
- dependent child care
- transportation and commuting expenses
- rental or purchase of a personal computer
- origination and default fees.

You must notify your lender immediately if you:

- change your name, address, telephone number and/or e-mail address, or correct your Social Security number
- fail to enroll at least half time, fail to enroll for the loan period for which your loan was processed, or fail to attend the college for which your loan was guaranteed
- withdraw
- begin attending less than half time
- transfer to another college
- graduate
- change employment
- have an employer whose address changes
- make any other changes that will affect your loan status.

Not informing lenders of these changes is one of the primary reasons for student loan defaults.

Other things you can do to help keep track of what's going on with your loan include:

- Stay in touch with your lender and don't hesitate to ask questions
- Read all correspondence, either in paper or electronic formats, regarding your student loan
- Keep in one central location, such as a folder, current records of all loans borrowed, including a copy of each document and any correspondence concerning your loan(s).

KNOW WHERE YOUR MONEY GOES

Even though you’re receiving financial aid, including a student loan, you’ll probably find that those dollars won’t go as far as you think they will. In order to make the most of the resources that you have available, it’s important that you keep track of where you’re spending your money and make sound financial decisions. You can do that by creating a budget — in other words, balancing the money you have with what you spend. Using the sample budget on the next page, itemize all of your sources of income and your expenses. This will help you monitor your spending and identify where you may need to tighten your spending habits.

If you find you need to make some adjustments to your budget, here are a few ideas for ways to reduce expenses.

- If necessary, check into short-term emergency loans through the college.
- See if your college has payment plans or reduced rates if you prepay, attend evening or weekend classes, or if more than one family member attends the same college.
- Consider attending year round to compress your coursework into fewer years. Summer classes are usually less expensive, or you may be able to take the same classes at a nearby community college for less than it would cost at a four-year college.
- Look into buying used textbooks rather than the new, more expensive versions.
- Make wise decisions regarding housing; check into meal plans, consider a roommate or two, and think about becoming a residence hall assistant to help cut costs.
- Think about working part time to help balance your budget.
- Always ask about student discounts; be sure to carry your student ID card so you can take advantage of this benefit.

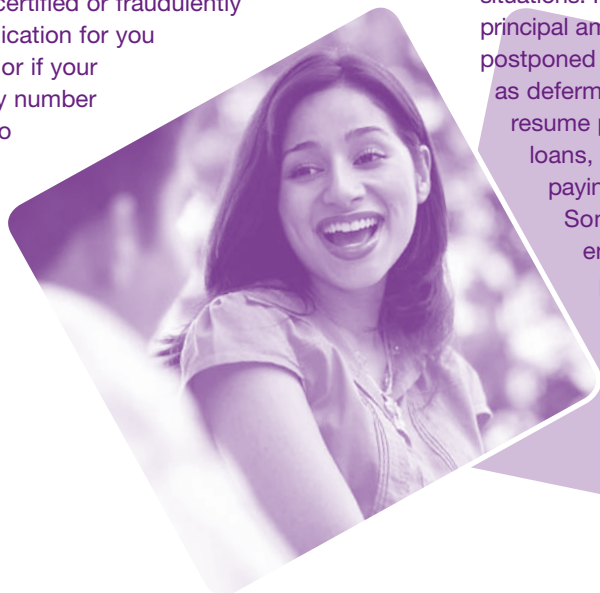
Expected Income			
Source	Term 1	Term 2	Term 3 (if applicable)
Earnings			
Savings			
Financial Aid			
Parents/Family			
Other			
Total			
Expected Expenses			
Expense	Term 1	Term 2	Term 3 (if applicable)
Tuition			
Fees			
Books and Supplies			
Rent/Housing (including utilities)			
Board (meals/groceries)			
Telephone			
Clothing, Laundry			
Travel between home and college			
Travel between room and campus (parking, public transportation)			
Car Maintenance			
Major Payments (auto, insurance)			
Medical			
Entertainment			
Emergency Funds/ Savings			
Miscellaneous			
Total			

KNOW YOUR RIGHTS

As a Federal student loan borrower, you are entitled to the following rights regarding your loan.

Loan Cancellation — you may decline all or part of your loan by notifying your college or lender, at any time before your loan is disbursed. If your college credits the loan funds to your account, you may cancel all or part of the loan by notifying the college within 14 days after you receive a disbursement notice from the college, or by the first day of the college's payment period, whichever is later. The college will return the cancelled amount to the lender, and the loan fees will be reduced in proportion to the amount returned. It is your responsibility to follow up with the lender to ensure that the cancellation has been processed. You may also repay all or part of your loan at any time within 120 days after disbursement, and again, the loan fees will be reduced accordingly.

Other situations that would lead to loan cancellation are your total and permanent disability, your death, a discharge of the loan in bankruptcy (typically however, student loans are not dischargeable), if you are unable to complete your program of study because your college closed, if your college falsely certified or fraudulently completed a loan application for you without your approval or if your identity/Social Security number was stolen and used to apply for a loan.



Loan Forgiveness — In some instances, you may qualify to have all or a portion of your loan forgiven. In addition to the circumstances listed under Loan Cancellation, you may also qualify for loan forgiveness if you meet the requirements for the Federal Teacher Loan Forgiveness Program or other loan forgiveness program. Other loan forgiveness/repayment programs, available from the State of Illinois, are described in detail in the Student Zone of collegezone.com.

Prepayment — you are entitled to prepay part or all of your loan at any time, with no penalty. If possible, consider making payments during your grace period to reduce the total amount of your loan, which will save you interest in the long run. You are also entitled to request a shorter repayment schedule and/or change the repayment plan type.

Deferment — you may be eligible for temporary postponement of your payments in certain situations. If you qualify for a deferment, the principal amount of your payments will be postponed for a specified amount of time (known as deferment) and the federal government will resume paying the interest on subsidized loans, while you'll be responsible for paying the interest on unsubsidized loans. Some reasons for deferment include enrollment in college at least half time, participation in a graduate fellowship or rehabilitation training program, unemployment, economic hardship and military service.

Forbearance — You and your lender may agree to postpone or reduce your principal payments through forbearance. Payment of interest remains your responsibility, no matter which loan type you have. Although granting forbearance is typically at the lender's discretion, in certain circumstances, loan holders are required to grant forbearance. A few of the situations for which your lender may grant forbearance are for personal hardship reasons (economic or health), national service, military mobilization, internship or residency, and/or while you're establishing eligibility for loan forgiveness or repayment programs.

Loan Consolidation — Loan consolidation allows you to combine all of your educational loans into one manageable loan with options to prepay or change repayment plans. Consolidation offers several types of repayment plans with extended repayment terms, which may result in a lower monthly payment. You will, however, probably pay more interest as a result of consolidating your loans because your repayment term will be longer. You may also lose eligibility for certain types of deferment and/or cancellation of certain forgiveness programs. The best time to consolidate your loans is when you've finished your college studies and borrowing is complete. Participating lenders can provide more information about loan consolidation; borrower benefits can differ between lenders.

Loan Sales — It is common practice for lenders to sell loans to other lenders or secondary markets. All of your loan obligations will simply transfer to the new holder and your payments will be made to them. A sale of your loan will not affect the terms and conditions of the loan and you will be notified if your loan(s) is sold.

Contact your lender for more information about any of these situations.



KNOW WHAT YOU PROMISED

When you signed the MPN or another FFELP promissory note to receive your first educational loan, you were promising to repay all the money loaned to you, plus interest. Once you graduate, withdraw from college or drop to less than half-time enrollment, you will have six months (grace period) before payments begin on your Stafford loan. Although repayment of Graduate/Professional PLUS loans begins within 60 days after you leave school, most loans have a six month period of time before payments begin. Typically your lender will contact you shortly after you cease to be enrolled to discuss payment options. However, the lender may not know of a change in your enrollment status or may have an incorrect address for you. Even if you don't hear from the lender, your loan is still due, so you should initiate contact and get the details of your repayment.

Loan Repayment — Repayment of both principal and interest for a subsidized Stafford loan begins after the grace period. If you have an unsubsidized Stafford or Graduate/Professional PLUS loan, you have either been making interest payments while in college, or the interest will be added to the balance of your loan when you enter repayment. If you have both subsidized and unsubsidized loans, your payment due dates will coincide.



Repayment Schedules — You can choose from several different repayment schedules: standard repayment with equal monthly payments and a maximum ten-year repayment period; graduated, income-sensitive or income-based repayment with periodic monthly payment amount changes; or extended repayment for up to 25 years if you owe more than \$30,000. Refer to the chart below for a general idea of the monthly payment amount for \$15,000 at 6.8%, using different available repayment plans. Access the Calculators area of **collegezone.com** and use the Monthly Payment Estimates Calculator to determine payments for loan amounts or interest rates different from those listed on the chart.

	Monthly Payment	Number of Payments	Total Principal & Interest
Standard Repayment	\$173	120	\$20,714
Income Sensitive Repayment	\$98	12*	N/A
Graduated Repayment	#1-24 \$102	120	\$22,220
	#25-48 \$133		
	#49-72 \$173		
	#73-96 \$225		
	#97-120 \$292		

**This option is granted for maximum of 1 year (12 payments) at a time. If qualified, it may be renewed for another 12 months.*

Here are some tips to make managing your student loan debt a little easier and help secure a positive financial future:

- Know the amount of your student loan payments and when they are due. Establish a reasonable budget and be sure to include your student loan payment.
- Keep current records of payments submitted and to whom.
- Write your account number on all payments and correspondence with your lender.
- If possible, pay more than the established monthly payment; any additional amount will go directly to principal and reduce the amount of interest you pay, which will pay off the loan sooner.
- Check to see if your lender offers automatic payment withdrawal — it's easy, it may lower your interest rate and it ensures on-time payments so your loan won't become delinquent.
- Make your payments on time! Not doing so can jeopardize your credit rating and make for a difficult financial future.
- If you're having trouble making your payments, ask about deferment and/or forbearance options.
- Contact the Internal Revenue Service (IRS) or a tax advisor to find out if you are eligible to deduct up to \$2500 of the student loan interest you paid.

And here are some other ideas that might make paying easier:

- Share expenses — think about getting a roommate or carpooling.
- Clip coupons — they can save you a lot when buying essentials.
- Take your lunch — fast food lunches and designer coffees really add up.
- Try to have no more than one credit card and shop around for the best terms (rates and fees).
- Limit the use of credit cards — if you can't pay for it right now, maybe you don't need it.
- Use public transportation or buy a used car rather than a new one.
- Direct deposit your paycheck — it could save on monthly banking fees.
- Don't carry a lot of cash — if you don't have it, you won't spend it.
- Mail your payments on time — it will save you on the interest charges and late fees (especially on credit cards), and will help preserve your credit rating.



THE CONSEQUENCES OF DEFAULT

Failure to repay your Federal student loan will result in default and penalties under the law. Default is defined as being at least 270 days delinquent or behind in loan payments. Some of the consequences of default are:

- an adverse credit rating that will impact your future ability to borrow money for other things, such as a home and a car
- loss of eligibility for all federal student aid programs, including any future student loans
- loss of any possible deferment or forbearance options
- reporting of the defaulted status to the IRS, causing federal and state tax refunds to be withheld and applied to the outstanding loan balance
- assessment of additional fees and interest, as a result of private and federal collection efforts
- garnishment of wages
- loss of certain professional licenses
- legal action against you.



KNOW WHO TO CONTACT

If you have questions about your loan, your first contact should be your lender or the financial aid office of your college. If you don't receive a satisfactory response from either of them, your next step is to contact the guaranty agency. If these approaches aren't successful, contact the Federal Student Aid (FSA) Ombudsman.

U. S. Department of Education
FSA Ombudsman
830 First Street NE
4th Floor
Washington, DC 20202-5144

877.557.2575 (toll free)

fsahelp.ed.gov or **ombudsman.ed.gov**

If you need help locating your student loans and/or identifying your lender, servicer or guarantor, use the National Student Clearinghouse Locator at **studentclearinghouse.org**. If you have any questions about your loan and/or grant amounts, outstanding balances, disbursements or loan statuses, check with the National Student Loan Data System (NSLDS) at **nslds.ed.gov**.

Use the space below to keep track of your loans.

My guarantor is:

Illinois Student Assistance Commission (ISAC)
1755 Lake Cook Road
Deerfield, IL 60015-5209

800.899.ISAC (4722)
collegezone@isac.org
collegezone.com

My college is:

My lender/servicer is:



**Deerfield**

1755 Lake Cook Road
Deerfield, IL 60015-5209

Springfield

500 W. Monroe, Third Floor
Springfield, IL 62704-1876

Chicago

James R. Thompson Center
100 W. Randolph, Suite 3-200
Chicago, IL 60601-3219

For Program Information:

800.899.ISAC (4722)
collegezone@isac.org
collegezone.com



**Illinois
Student
Assistance
Commission**