

## FACTS ABOUT REPAYING YOUR STAFFORD STUDENT LOAN

- After you graduate, leave school, or drop below half-time enrollment, you will have a 6-month grace period before you must begin repaying your Stafford Loans.
- The interest rate on your Stafford Loan is variable and is adjusted each year on July 1. Your interest rate will never exceed 8.25%.
- If you have not heard from your lender within 60 days of graduating, contact them for a payment schedule.
- If you default on your Stafford Loan (270 days delinquent in making payments), you may be subject to several penalties, including late fees, additional charges, a damaged credit report, wage garnishment, and legal action by the government.
- If you are interested in consolidating your Stafford Loans, please contact your Guaranty Agency during your grace period, for more information.
- There are four different repayment options offered by most lenders. We recommend choosing the Standard Repayment Plan when repaying your Stafford Loans. See below for details.

### Option 1 - Standard Repayment Plan

With a Standard repayment, you will make a fixed payment of at least \$50 per month for up to 10 years. This plan results in the lowest total interest paid because the repayment period is shorter than it would be under other plans.

This example shows Stafford Loans repaid at the maximum interest rate for student borrowers (8.25%) under the Standard Repayment Plan for 10 years or 120 payments.

Loan Amount = \$15,000

Monthly Payment = \$184

**Total Amount Repaid = \$22,077** (\$7,077 of that amount is interest)

### Option 2 – Extended Repayment Plan

With Extended repayment, you will make fixed payments of at least \$50 per month over a period of time that will vary from 12 to 30 years, depending on your total loan debt. Because it will usually take more than 10 years to repay your loans under the Extended plan, your monthly payment will be less than if you choose Standard repayment, but the total you repay over the life of the loan will be greater because you will pay more interest.

This example shows Stafford Loans repaid at the maximum interest rate for student borrowers (8.25%) under the Extended Repayment Plan for 15 years or 180 payments.

Loan Amount = \$15,000

Monthly Payment = \$146

**Total Amount Repaid = \$26,196** (\$11,196 of that amount is interest)

### **Option 3 – Graduate Repayment Plan**

With Graduate repayment, your payments start out low and increase every two years. The repayment period varies from 12 to 30 years and depends on the total amount you owe when your loans go into repayment. The amount you will repay over the life of the loan will be higher than under Standard or Extended repayment. However, if your income is low when you leave school but is likely to increase steadily, this might be a feasible plan for you.

This example shows Stafford Loans repaid at the maximum interest rate for student borrowers (8.25%) under the Graduate Repayment Plan for 15 years or 180 payments.

Loan Amount = \$15,000

Beginning Monthly Payment = \$103

Ending Monthly Payment = \$244

**Total Amount Repaid = \$28,762** (\$13,762 of that amount is interest)

### **Option 4 – Income Contingent Repayment Plan**

The Income Contingent Repayment Plan is designed to give borrowers the flexibility to meet their student loan obligations without causing financial hardship. Each year, your monthly payment will be based on your annual Adjusted Gross Income. Your monthly payment will not exceed 20% of your discretionary income and the maximum repayment period is 25 years.

This example shows Stafford Loans repaid at the maximum interest rate for student borrowers (8.25%) under the Income Contingent Repayment Plan for 25 years. It is based on a family size of one and an annual AGI of \$15,000 with a 5% annual income growth assumed.

Loan Amount = \$15,000

Adjusted Gross Income = \$15,000

Monthly Payment = \$103

**Total Amount Repaid = \$34,654** (\$26,958 of that amount is interest)