# FEDERAL STAFFORD & DIRECT LOAN
# EXIT COUNSELING INSTRUCTIONS

**In order to complete your financial aid file, you MUST complete the MANDATORY Federal Exit Counseling; please read the enclosed materials and complete the Exit Counseling online.**

After receiving federal loans, you must complete the MANDATORY Exit Counseling form which provides you with your rights and responsibilities as a borrower, repayment information, an estimated student loan monthly payment calculator, and other necessary information. Students who either have graduated or dropped below *half time status must complete the Exit Counseling material.

*Half Time Status is defined as the following:

1. Graduate students must maintain the following: a minimum of 3 credits per term or an equivalent to this OR if you are registered by a learning contract you must maintain one credit per month of your contract. (example: 7 month contract must have at least 7 credits in order to be half time)
2. Undergraduate students must maintain a minimum of 6 credits per term.

*Please note: if you have withdrawn, it is very important you contact the following person:

-Winona Undergraduate Students- Contact the Student Success Center at studentsuccess@smumn.edu or 507-457-6994.
-Minneapolis and Winona Graduate Students. Contact your program directors for further instructions.

You may complete this form by following the instructions listed below. Please allow approximately 25 minutes to complete the necessary information and do not exit the program without finishing the material.

If you have questions regarding Exit Counseling, please contact the following office:

-Winona Undergraduate Students- Contact Cardinal Central at cardinalcentral@smumn.edu or 507-457-6655.
-Minneapolis and Winona Graduate Students- Contact Student Central at studentcentral@smumn.edu or 612-238-4566.

## Online Exit Counseling Web Site

*** Go to the following web address:** www.studentaid.gov/exit-counseling/
* Start exit counseling based on your student type
* Log in with your FSA ID to start counseling
* Follow the on-screen directions

# IMPORTANT EXIT COUNSELING INFORMATION

- **Stay in touch with your lender!** – It is the student's responsibility to keep the lender informed about address changes (including changes in the permanent address while in school), or changes in enrollment. The student is required to inform the lender when he/she graduates, changes schools, drops below half-time, or withdraws from school. Students must also notify the lender in the event of a name change, including the change of a last name through marriage or change in Social Security Number. Please note: the borrower must make payments on his or her loans even if the borrower does not receive a payment booklet or a billing notice.

- **Debt management strategies:** It is important to develop a realistic budget based on your minimum salary requirements. Compare these costs with the estimated monthly loan payments, which is a fixed cost that you will be paying every month.

- **The use of the Master Promissory Note:** You may receive more than one loan under this MPN over a period of up to ten years. Whether you may receive loans under this MPN for only one academic period, or for multiple academic periods, depends on the school you are attending. You may receive loans under this MPN from the original lender, or a lender who assumes the right to offer loans under this MPN, even if you change schools (provided the school is authorized to certify subsequent loans under this MPN) and even if the guaranty agency changes. However, borrowers have a right to sign a new promissory note for each loan and can opt out of the multi-year feature of the MPN if they wish to do so. You must sign a new MPN if you wish to receive loans from a lender other than your original lender or a lender who assumes the right to offer you loans under this MPN.

- **Staying out of default:** Default occurs when you are 270 days behind on your loan payments. To prevent this, make sure your lender always has your current address, and contact the lender if you're having trouble making payments.

- **Students who do not make their scheduled monthly payments will enter into a default status.**
  - **What happens when a loan enters into default?**
    - **It is reported to credit bureaus**
    - **Collection costs and wage garnishments**
    - **Loss of student aid and deferment rights**
    - **Assignment to the ED Debt Collection Service**

**-Consequences of Default** include: adverse credit reports, federal offset, and litigation. Charges that might be imposed for delinquency or default include lender's or guarantor's collection expenses. The repayment schedules for loans that have been accelerated are stricter than the original payments. A person in default is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Borrowers must still repay the loan even if he/she withdraws from school, doesn't get a job, or is otherwise dissatisfied with the quality of the school's educational programs and services. Finally, a defaulter's federal and state tax refunds may be seized and wages garnished, and the borrower loses eligibility for any further funding from the Federal Student Aid Programs.

- **Repayment options**: standard, extended, graduated, and income-contingent/income-sensitive plans. Once you've chosen a plan, you must remain on this plan for at least a year before switching to another plan. Please note: as a borrower you may prepay the loan(s) without penalty, request a shorter loan period or change repayment plans. Lending organizations are not required to send repayment schedules to the borrower until you have entered your grace period.
  - **Comparing Repayment Plans**:
    - **Standard Repayment Plan:** You will pay your loan within 10 years. You will be repaying the same loan amount each month with a minimum payment of at least $50 a month.
    - **Extended Repayment Plan:** You are eligible for extended repayment if you received your first loan on or after Oct. 7, 1998 and have over $30,000 in Federal Family Education Loan Program (FFELP) student loan debt. Your repayment term may be as long as 25 years. Monthly payments may be fixed or graduated with a minimum loan payment of at least $50 a month.
    - **Graduated Repayment Plan** will start you with a lower monthly payment. Over time, your monthly payments will increase. While this plan may help you initially, when your salary is lower, keep in mind that you will pay more interest over the life of the loan than you would with the standard plan. Repayment term of this plan is 10 years.
    - **Income-Sensitive Repayment Plan** will adjust your payments annually based on your expected total monthly gross income. You must reapply for this plan each year and provide a current year's income tax return or W-2 statement. Each year you decrease your monthly payments, your monthly payments for the remaining years will increase proportionately.

***Account Payment Plan Estimator***

A variety of payment plans may be available to you for repaying your accounts. Some may work better for you than others, depending on your situation and eligibility. If you are interested in one of these payment plans, contact your loan servicer.

Example shown below illustrates a student with an average indebtedness of $26,085 with an interest rate of 6.8% and a repayment period of 10 years:

| Payment Plans: | Level | Graduated | Graduated 40 months | Extended Graduated Two-Tier* | Extended Graduated Three-Tier** |
|---|---|---|---|---|---|
| Estimated Monthly Payment: | All: $300.19 | First 24 months $147.82 Remaining: $353.04 | First 40 months: $147.82 Remaining: $406.44 | Firs 1/3: $147.82 Remaining 2/3: $406.44 | First ¼: $147.82 Second ¼: $300.19 Remaining ½: $416.16 |
| Estimated Total Interest: | $9,937.80 | $11,354.52 | $12,343.00 | $12,343.00 | $12,324.90 |
| Estimated Total Cost: | $36,022.80 | $37.439.52 | $38,428.00 | $38,428.00 | $38,409.90 |

Another example of repayment plan options:

| | **Standard-Fixed & Equal Payments** | | **Graduated-Beginning Payments; Payments will increase** | | **Income Sensitive Based on income of $25,000** | |
|---|---|---|---|---|---|---|
| Total Debt | Per Month | Total Payment | Per Month | Total Payment | Per Month | Total Payment |
| $2,500 | $50 | $2,958 | $30 | $3,695 | $83 | $2,747 |
| $5,000 | $58 | $6,942 | $30 | $7,485 | $83 | $6,059 |
| $7,500 | $87 | $10,413 | $43 | $11,262 | $83 | $10,723 |
| $10,000 | $116 | $13,884 | $58 | $15,016 | $83 | $16,056 |
| $15,000 | $174 | $20,825 | $87 | $22,523 | $103 | $25,824 |

- **Forbearance, deferment, and cancellation options:** In certain situations, forbearance, deferment and cancellation are options. The borrower must start the process by applying with the lender.
  - **Deferments:** are periods when you do not have to make loan payments. The common deferments are for students attending college (enrolled at least half-time), unemployment, and economic hardship. Please contact your lender for further information.
  - **Forbearance:** is a way to temporarily lower or suspend your payments if your situation is one that does not qualify you for a deferment, however, it is the lender's decision to approve it. You will be responsible to pay the interest that accumulates, even on a subsidized loan.

- **Tax Benefits for Federal Student Loans**: Did you know there are tax incentives while paying back your federal student loans? Most can claim the interest on their taxes. This benefit applies to all loans used to pay for post-secondary education, including PLUS loans. The IRS publication 970, Tax Benefits for Higher Education explains these benefits in greater detail. You can also contact the IRS at 800-829-1040 with additional questions.

- **Stafford Loan Forgiveness and Discharge-** When you are finished with school, you may be unhappy with your education or unable to find a job in your field of study. Unfortunately, this does not relieve you of having to repay your student loans, nor does the fact that it may have taken you longer than expected to complete the program or are dissatisfied with the education received. However, there are other situations in which your loan would be discharged, which would relieve you of your debt.

- In the following scenarios, a portion of your loan may be forgiven:
  - **Death -** If you die, your loan would be discharged. Not a pleasant thought, but it is good to know that your family would not be burdened with this debt in this unfortunate circumstance.
  - **Total and Permanent Disability -** If you become totally and permanently disabled, and you are no longer able to work in any capacity, you may be eligible to have your loan discharged. Contact your lender or servicer for specific requirements.
  - **Teacher Loan Forgiveness -** If you are a teacher in an eligible school, took your first student loan out after October 1, 1998, and meet other criteria, up to $17,500 of your loan balance may be forgiven by the federal government. To determine if you are eligible for forgiveness, contact your lender or servicer. Visit **studentaid.ed.gov** for more information.
  - **Public Service Loan Forgiveness -** If you are employed in a public service job and meet other criteria, you may be eligible to have the balance of your loan forgiven. This program is available for Direct Loan borrowers, but FFELP borrowers are eligible if they consolidate into the Direct Loan program. To determine your eligibility, contact your lender or servicer.
  - **Bankruptcy -** <u>Generally, your student loans are **not dischargeable** in a bankruptcy.</u> If you file for bankruptcy, your student loans would be placed in forbearance until the bankruptcy is discharged (completed), at which time you would be due for regular monthly payments. You may continue to make your student loan payments during the forbearance if you are able. The only case in which your loan may be discharged through bankruptcy is if you file, and are granted, an undue hardship petition. Contact your lender or servicer if you do file for bankruptcy.

- **Availability of loan information on NSLDS:** The borrower's loan history can be viewed on-line at the Web Site for the National Student Loan Data System at www.nslds.ed.gov. Students without Internet access can identify their loan holder by calling 1-800-4-FED-AID. The information on the NSLDS site is updated by lenders and guarantors; however, it may not be as current as the latest information from those loan holders.

- **Federal Student Aid Ombudsman's Office** is a resource for borrowers when other approaches to resolving student loan problems have failed. Borrowers should first attempt to resolve complaints by contacting the school, company, agency, or office involved. If the borrower has made a reasonable effort to resolve the problem through normal processes and has not been successful, he/she should contact the FSA Ombudsman at 877-557-2575 or www.ombudsman.ed.gov.

- **Pros and Cons of Consolidation:** Loan consolidation is the process of paying off the loans you choose, and combining them into one new loan. If you have only one loan, you can still consolidate. Here are a few reasons that people choose to consolidate:

  - **Multiple Lenders -** If you have multiple lenders for your student loans, you may be making multiple payments each month. Consolidation combines these loans, giving you only one monthly payment to make to a single lender.
  - **High Payments -** Depending on your loan balance, consolidation may extend your repayment term beyond the standard 10 years. This can reduce your monthly payment if your current payment is too high.
  - **Fixed Interest Rate -** The interest rate for a Consolidation loan is the weighted average of the interest rates for all loans consolidated rounded up to the next 1/8 of 1%, not to exceed 8.25%. The interest rate on a consolidation loan is fixed for the lifetime of the loan. This could be an advantage if you have low interest rates at the time you consolidate.
  - **Longer Repayment Term -** While it is true consolidation allows you to extend your repayment term beyond 10 years, depending on your loan balance, this will also cost you more over the term of your loan. For example, if you take 20 years to pay off your loan versus 10 years, you will be paying more interest. Therefore consolidation can potentially cost you more money as well.
  - **Loss of Cancellation Benefits -** If you consolidate your Perkins loan with another type of federally guaranteed loan, you will lose any eligibility to have your Perkins loan cancelled. For example, if you are going to teach full-time in a school that serves low-income families, you may be eligible to have your Perkins loan fully cancelled. You would lose this benefit if you consolidate your Perkins loan. You will lose your current benefits offered on your Federal Stafford Loans if you consolidate. You will want to check into Consolidation Loan benefits offered by lenders as they will vary for each lender. Consolidating during your grace period may help lower your Consolidation Loan interest rate, however, once this loan is consolidated borrowers will lose any remaining grace period and you will enter repayment 60 days after the loan is consolidated.

- **Consolidation Repayment**: Consolidation also offers a variety of repayment plans. These range from the standard plan, where you would have equal payments over the term of your loan, to different graduated plans, where your payments would fluctuate over the term of your loan. Just like a Stafford or Perkins loan, you can pay your Consolidation loan off early. There is no penalty for making larger payments. If you can send an extra amount with your regular monthly payment, do it. Even an extra $10 or $20 will help you pay off your loan faster. You also still have deferment or forbearance options with a Consolidation loan. Remember that these options are available if you are temporarily unable to make payments. As always, keep in contact with your lender or servicer. Contact your lender in regards to possible borrower benefits with Consolidation Loans as they may vary with different lenders.

- **Who is eligible for a Direct Consolidation Loan?**
  - To qualify for Direct Consolidation Loans, borrowers must have at least one Direct Loan or Federal Family Education Loan (FFEL) that is in grace, repayment, deferment, or default status. Loans that are in an in-school status cannot be included in a Direct Consolidation Loan.
  - Borrowers can consolidate most defaulted education loans, if they make satisfactory repayment arrangements with their current loan holder(s) or agree to repay their new Direct Consolidation Loan under the Income Contingent Repayment Plan.
  - Borrowers who do not have Direct Loans may be eligible for a Direct Consolidation Loan if they include at least one FFEL Loan and have been unable to obtain a Federal Consolidation Loan with a FFEL consolidation lender **or** have been unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms acceptable to them **or** intend to apply for loan forgiveness under the Public Service Loan Forgiveness Program..
  - Borrowers who have only a Direct Consolidation Loan cannot consolidate again unless they include an additional loan.
  - Please contact your lender in regards to loan forgiveness or discharge of benefits available to a FFELP borrower who consolidates his/her loan into the Direct Loan Program.

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