

repayment

What is repayment?

Repayment is the process of making payments to pay off the loan amount borrowed plus interest that has accrued on the loan while you were in school, during any periods of authorized deferment, and during your grace period.

When does repayment start?

Repayment typically begins after a grace period (6 months for Federal Stafford Loans, 9 months for Access Group private loans) following your graduation or your ceasing to be enrolled. Your first payment is typically due within 60 days of each loan's entering repayment.

What are the types of repayment plans?

Your federal, institutional, or private loan may offer a variety of repayment plans. You should periodically review your repayment plans and contact your lender, loan holder, or servicer for help in determining what options may be available. You may always pay your loan as quickly as you want and save significantly on interest costs, or follow one of the repayment plans available. Remember, however, that the longer you take to repay your loans, the more you will have to pay in interest charges. Repayment options for federal and private loans differ.

Federal Stafford Loan Repayment Plans

Lenders are currently required to provide borrowers with four repayment options for Federal Stafford Loans provided through the Federal Family Education Loan Program (FFELP). Similar plans are often available for Federal Consolidation Loans and for loans borrowed through the Federal Direct Loan Program. Repayment option information for each loan typically is sent to you during the grace period. This allows you to review the different options and select the one that works best for you. If you do not respond with your choice, the lender/holder/servicer will assign you the Standard Repayment Plan. The four options are:

1. Standard (Fixed) Repayment Plan

In this plan, you pay a fixed amount each month. All payments include both interest and principal. *This plan requires the highest initial monthly payment but produces the lowest cost in total interest paid.*

2. Graduated Repayment Plan

All lenders are required to offer at least one graduated repayment plan; some offer more. Under such plans, the minimum monthly payment amount increases at specific intervals. Early payments typically cover only interest charges; later principal is included, and the minimum monthly payment amount increases. *Initial payments are therefore lower than under the Standard Repayment Plan, but the total interest cost is higher over the length of repayment.*

Because the monthly payment can increase significantly at the specified intervals (although no payment can be three times greater than any other payment), Graduated Repayment Plans are generally best suited for those who expect large salary increases at predictable points in time. Before selecting this plan, be sure that you will be able to afford the increased monthly payments. For more information, you may contact one of the preferred Stafford loan providers listed on page 6.

3. Income-Sensitive Repayment Plan

Monthly payments for this plan are based on the borrower's expected total monthly gross income and total federal student loan debt. Payments are adjusted annually. *This plan results in higher total finance charges than under the Standard Repayment Plan, because loan principal is not repaid in level amounts throughout the repayment period.*

4. Extended Repayment Plan

This plan is available only to those who first borrowed FFELP loans on or after October 7, 1998, and whose total FFELP loan debt exceeds \$30,000. It allows bor-

rowers to repay their loans over a maximum term of 25 years, with either standard or graduated payments.

What is Federal Loan Consolidation?

Another loan repayment option is federal loan consolidation. A Federal Consolidation Loan (FCL) is a loan that you can borrow to pay off some or all of your existing eligible federal student loans, both graduate and undergraduate. The FCL has a fixed interest rate with a repayment term of up to 30 years, depending on your total student loan debt, including any private student loans you may have.

Why consolidate?

- to reduce your monthly loan payment and increase monthly cash flow;
- to have the convenience of single statement billing (if you have federal loans with more than one lender);
- to renew eligibility for current deferments or become eligible for new deferments;
- to lock in a fixed interest rate for the life of the loan (especially now, when Federal Stafford Loan interest rates have been at historic lows).

What are the costs of loan consolidation?

- There are no fees for Federal Consolidation Loans.
- The interest rate is fixed and is the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8th of one percent, and capped at 8.25%
- Since the consolidation interest rate is a weighted average of all interest rates on your loans, you should contact your financial aid office to inquire whether consolidation is to your financial advantage.

What are the repayment terms for consolidation loans?

Depending on the amount of your outstanding student loan balance, you have up to 30 years to repay, and you have a choice of the same repayment options offered for Federal Stafford Loans. There is no prepayment penalty, deferment and forbearance are available, and some lenders offer payment incentives. See page 6 for the payment incentives offered by Columbia University's preferred lenders. Learn more about federal loan consolidation and find answers to your questions at www.FederalConsolidation.Org.

Private Loan Repayment Plans

Most private student loan providers do offer both Standard (Level) Repayment Plans and Graduated Repayment Plans. (The Income-Sensitive Repayment Plan, the Extended Repayment Plan, and Federal Loan Consolidation are only available for FFELP loans.) Access Group offers the EasyPay 2 Step and the EasyPay 3 Step Graduated Repayment Plans described above on its private loans. It also offers Payment Incentives on both its federal and private loans.

What is deferment?

Deferment is a period of time during which you can postpone your loan payments on Federal Stafford Loans or Federal Consolidation Loans. Deferments are an entitlement that your federal loan lender/holder/servicer must approve if you meet the requirements and provide the necessary documentation as specified in the promissory note. For example, you might qualify for a deferment if you are enrolled in an eligible graduate fellowship program or if you face unemployment or other economic hardships.

What is forbearance?

Forbearance is an agreement between the borrower and the lender/holder/servicer of a loan that allows for:

- temporary postponement of payments;
- extension of time for making payments; or
- temporary acceptance of payments that are smaller than required by the repayment schedule.

Forbearances are available at the discretion of the lender for both federal and private loans.

What are repayment incentives?

Some loan providers offer interest rate discounts to borrowers who demonstrate excellent repayment habits. You may be eligible for such benefits by making a certain number of consecutive on-time payments or by having loan payments deducted from your checking account. See the chart on page 6 for payment incentives available on preferred federal lenders.