Federal Student Loan Repayment Options
You have unique options to handle federal student loan debt.

**Income Driven Repayment Plans**

**REPAYE/Pay As You Earn**
Payment Amount: 10% of discretionary income
Repayment Period: 20 years (25 years for graduate loans in REPAYE); remainder of balance forgiven
Additional Consideration: Must show partial hardship; tax consequence

**Income-Based Repayment**
Payment Amount: 15% of discretionary income (10% if borrowed after Jul 1, 2014)
Repayment Period: 25 years (20 years if borrowed after Jul 1, 2014), remainder of balance forgiven
Additional Consideration: Must show partial hardship; tax consequence

**Federal Debt Consolidation**
Payment Amount: Varies (Lowers monthly payments by extending term)
Repayment Period: 30 years
Additional Consideration: May lose benefits in original loan

**Graduated Repayment:** a plan where your payments start out lower and gradually increase over time

**Extended Repayment:** a plan where you pay less each month but extend the life of your loan over a longer period of time

**Statutory Discharges:** Public service loan forgiveness, Teacher loan forgiveness, Total and permanent disability, Death (someone would apply on your behalf), Closed school.

**REMEMBER:** Failing to make federal student loan payments can result in serious consequences. If you fail to make payments on your student loan for **270 days**, your loans will go into **DEFAULT** status and will be sent to a **debt collector**. The government can then garnish part of your pay or federal benefits and report your loans in default to credit agencies. You also may lose access to any federal student aid, or the ability to enter into deferment or forbearance or choose a repayment plan.

**Private Student Loan Repayment**
Private student loans don’t offer as many repayment options as federal student loans. If you aren’t able to make your payments, the debt will follow a path similar to other consumer debt (such as credit card debt).

**Delinquency:** Borrower is late on a payment.
**Charge-Off:** After 120 or 180 days, lender reports debt as loss for accounting purposes. Borrower is still liable for debt.
**Sale to Debt Buyer:** Original lender sells debt to debt buyer for much less than the debt balance.
**Lawsuit:** Owner of the debt (original lender or debt buyer) sues the borrower.
**Judgment:** A court judgment can result in garnishment of your wages or a lien on your property.
Federal student loans carry many advantages over private student loans. It is generally better to pursue all options for federal student aid before entering a private loan. Compare:

**Federal Student Loans**
- **Fixed interest rate**—usually lower than that of private loans and credit cards.
- **No credit check or a cosigner necessary** (exception: Direct Plus loans).
- **No repayment until after you leave college** or drop below half-time.
- **Government may pay the interest** on some loan types while you are in school and during some periods after school if you have financial need.
- **Flexible and income-driven repayment** plans and options to postpone your loan payments if you’re having trouble making payments.
- **Loan forgiveness** for borrowers who work for the government or certain non-profit organizations after 120 qualifying payments.
- **Discharges** available under certain circumstances, like permanent disability.

**Private Student Loans**
- **Interest rates tend to be higher** than those of federal student loans.
- **Eligibility depends on your credit score.** Some lenders require payments while you are still in school.
- Private loans **do not have loan forgiveness or income-based repayment programs.** These are only available for federal student loans.
- Private student loan debt is treated much like other consumer debt, such as credit card debt (see page 2).

If you would like further advice about choosing a school, applying for financial aid, or dealing with your student loan debt, you can also contact us.

**Housing & Economic Rights Advocates (HERA)** P.O. Box 29435 Oakland, CA 94604 Phone: 510-271-8443 ext. 300 Fax: 510-868-4521 E-mail: inquiries@heraca.org [www.heraca.org](http://www.heraca.org)