



Perkins Loan Exit Counseling

A Federal Perkins Loan is a low-interest, 5 percent loan for both undergraduate and graduate students with exceptional financial need. Your school is your lender. The loan comes from government funds, with a share contributed by the school. As a result, your school—or its billing service—is your contact for your Perkins Loan.

Now that you're leaving school (or dropping below half-time attendance), it's important to review details of your Perkins Loan. Your rights and responsibilities are listed at the end of this session. Remember:

- You signed (either electronically or on paper) a Master Promissory Note, which is a legal agreement to indicate your commitment to repay your student loan(s).
- You **MUST** pay back your loan, even if:
 - you don't finish school,
 - are unemployed,
 - or your education didn't meet your expectations.

If you make regular, on-time, monthly payments, you will build a good credit history, which makes it easier for you to borrow money in the future. If you fail to make regular on-time monthly payments, you will face serious consequences.

- Stay in close touch with the financial aid professionals at your school. Contact them, or their billing service, with any changes in your name, address, phone, employment situation, etc.
- Stay informed. Keep your records up to date and organized, so you can easily resolve problems. Know the amount of your student loan payments—and when repayment begins. Read all information carefully. Keep copies of any promissory notes you sign; they tell you the total amounts borrowed and the names and addresses of the institutions from which you borrowed.
- If you have trouble making payments, contact your school or its billing service immediately. You have several options for resolving difficulties.
- Develop a budget to help you manage your income and expenses, including your student loan payments, credit card debt, and other living expenses.

You must tell your school or its billing service about changes to your name, address, and phone number. In addition, you must let your school know if you:

- withdraw from school (or drop below half-time status),
- graduate,
- transfer to a new school (until your loan is paid in full, the school that administers your Perkins Loan has the right to contact your new school--and any other school you attend--to find out about your student status, year of study, dates of attendance, graduation, withdrawal, transfer, and current address),
- change your employer (or your employer's address changes),
- change your Social Security Number or driver's license number,
- change your expected graduation date, or
- experience any other change that affects your loan status (for example, if you get a job and therefore lose your eligibility for an unemployment deferment).

Promptly respond to any communication about your loan from your school or its billing service.

Preparing for Repayment

Know how much you owe! If you are unsure, contact your school or billing service. Now is the time to resolve any discrepancies and to ask questions.

To monitor all of your federal student loan debt you may access your loan history online at studentaid.gov or call toll-free (800) 433-3243. You will need an FSA ID to view your loan history. Please note that the StudentAid.gov site only includes your federal student loans (such as Perkins and Direct Loans), it does not include information about alternative or private student loans.

Several steps take place after you leave school or drop below half-time attendance. First, you get a **grace period**--a period of time (nine months) when you don't have to make payments. During the grace period, no interest accrues on your loan. Keep in mind that you can prepay your loans, including during the grace period, without penalty. Prepaying your loans will help you pay them off faster and you will be pay less money over the life of the loan.

What if you re-enroll in school? It depends on the timeframe that you re-enroll. If you re-enroll at least half-time during this grace period--and you file for deferment--you get another nine-month grace period the next time you drop below half-time. If you re-enroll after the grace period, however, your next grace period will only be six months.

Your repayment schedule will provide you with the interest rate, payment amounts, and payment methods. Payment methods at each school differ, but may include:

- ACH (Automated Clearing House)--an automatic deduction each month from your checking or savings account.
- Billing statements
- Coupon books

Contact your school if you don't receive your repayment schedule or if you would like a copy of your promissory note.

If you have a loan in grace and are ordered to active duty, you are eligible to have one or more military extensions of the grace period, for up to three years. This includes the time necessary to resume enrollment at the next available enrollment period. If you are called to active duty during the initial grace period, a new nine-month initial grace period can be granted upon completion of the excluded period. If you have these circumstances, contact your school to request the grace period.

Perkins Loan Repayment

When Is My First Payment Due?

One month after the grace period ends, your first payment is due. The Federal Perkins Loan usually carries a minimum monthly payment of \$40; your payment may be higher, depending on your loan balance and you may make larger than the minimum payments to repay the loans more quickly. The maximum repayment period is 10 years. Your school may be on a quarterly payment cycle. In this case, your minimum quarterly payment (due every 3 months) is \$120.

Loan Amounts and Monthly Payments

Below is a chart with sample loan amounts and monthly payments based on an interest rate of 5 percent:

Amount borrowed	Monthly payment amount	Number of payments	Total amount paid
1,500	40	41	1,640
3,500	40	109	4,362
5,500	58.34	120	7,000.80
6,500	68.94	120	8,272.80

7,500	79.55	120	9,546
8,500	90.16	120	10,819.20
10,000	106.07	120	12,728.40
12,500	132.58	120	15,909.60
15,000	159.10	120	19,092
20,000	212.13	120	25,455.60
27,500	291.68	120	35,001.60
60,000	636.39	120	76,366.80

Perkins Loan Cancellation and Discharge

You may be eligible for a partial cancellation if you serve as one of the following:

- Teacher in a public or nonprofit school (elementary or secondary level). The teaching must be in a school serving low-income students, in a field of expertise where the state education agency determines there is a shortage of qualified teachers, or in one of the following fields: mathematics, science, foreign language, or bilingual education.
- Teacher in special education for infants, toddlers, children, or youth with disabilities. Your teaching can take place in a public or nonprofit school system (elementary or secondary level).
- Full-time staff members in a pre-kindergarten or child care program that is licensed or regulated by the state.
- Full-time speech language pathologists with a master’s degree working exclusively in Title I schools.
- Librarians with a master’s degree in library science who are employed in a school served under Title I of the ESEA, or a public library serving a Title I school.
- Full-time faculty members at a tribally controlled university.
- Nurse or medical technician (or allied health professions).
- Full-time firefighters.
- Full-time employee in a child or family service agency (either public or private nonprofit) that is providing, or supervising the provision of, services to high-risk children who are from low-income communities, as well as to the families of these children.
- Full-time, qualified, professional provider of early intervention services in a public or other nonprofit program under public supervision by the lead agency, as authorized in section 632(5) of the Individuals with Disabilities Act.
- Law enforcement, public prosecutor, public defender, or corrections officer.
- Full-time staff member in a Head Start program.
- A member of the Armed Forces in an area of hostilities that qualifies for special pay under section 310 of Title 37 of the United States Code.
- Volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973 (ACTION programs). Contact your school if you think you qualify.

If you serve as an enlisted person in certain specialties of the U.S. Army, the Army Reserves, the Army National Guard, or the Air National Guard, the U.S. Department of Defense may repay a portion of your Perkins Loan. Contact your recruiting officer to find out more. AmeriCorps service may provide education awards to help finance college or help pay back student loans. Contact AmeriCorps at (800) 942-2677 or www.americorps.gov for more information.

Finally, if you become totally and permanently disabled, or if you die, your loan obligation will be cancelled. Loan cancellation due to disability requires certification from a physician and is subject to a conditional period of three years.

Please contact your school or its billing service to request more information or the necessary forms for cancellation of your Perkins Loans. You must file cancellation forms annually.

Direct Loan Consolidation

If you have substantial student loan debt or several types of loans, you might want to look into a Direct Consolidation Loan, in which the Direct Loan Program buys all your eligible loans and combines them into one.

Direct Consolidation Loans have their advantages and disadvantages. On the plus side, they offer you up to 30 years for repayment, instead of 10 (depending on your loan balance). You only have one payment, and payments remain the same until the loan has been paid in full when you select the standard repayment plan. As with Perkins Loans, you may choose to pay more than the minimum monthly payment to pay off the Direct Consolidation Loan sooner. With a Direct Consolidation Loan, you also may be able to change repayment plans to a plan that better fits your financial situation.

On the downside, however, the extra 20 years of repayment means additional interest will accrue, which may substantially increase the total amount you pay. Plus, you could lose certain deferment options and interest-free periods, such as grace periods. Consolidation also takes away your eligibility for any Perkins Loan cancellation provisions for full-time employment in the Perkins Loan Cancellation and Discharge section above.

Your Direct Consolidation Loan would be set up at the current consolidation interest rate, and you would lose the original 5 percent interest rate.

To find out if a Direct Consolidation Loan is right for you, talk with your school and/or call the Direct Consolidation Loan Center at (800) 557-7392 or go to <http://www.loanconsolidation.ed.gov/>.

Consolidation repayment example:

You have the following loans you're considering consolidating:

Loan A: \$2,625 balance, 4.13 percent interest
Loan B: \$3,500 balance, 5.2 percent interest
Loan C: \$5,500 balance, 6.1 percent interest
Loan D: \$5,500 balance, 6.8 percent interest

If you consolidate these loans (a total of **\$17,125**), you'll have **15 years (180 months)** to repay your Consolidation Loan. The weighted average interest rate of the loans is **5.839 percent**. This is rounded up to the nearest 1/8th of one whole percent, resulting in your fixed interest rate of **5.875 percent**.

If you repay your Consolidation Loan under an equal payment plan, your monthly payment will be **\$143.36**. In the end, you will have paid **\$25,804.18**, which includes **\$8,679.18** in interest.

Solutions for Repayment Problems

If you can't repay your Perkins Loans, talk to your school or its billing service immediately. If you skip even ONE payment, you may be considered in default on your student loan, and face serious consequences. You can avoid these consequences if you talk to your school or its billing service at the first sign you can't make your payments. The school has several options to help you resolve your financial difficulties without going into default. Among those options:

Deferment: A deferment is a period of time during which your school temporarily suspends your regular payments. If your loans were made on or after July 1, 1993, you may be eligible for the following deferments:

- At least half-time enrollment at an eligible school
- Graduate fellowship program
- Rehabilitation training program
- Military service
- Unemployment
- Economic hardship
- Service eligible for partial loan cancellation

To request a deferment on a Perkins Loan, contact your school or its billing service for details.

Forbearance: Like a deferment, forbearance temporarily reduces or suspends your regular payments. With forbearance, however, you are responsible for the interest that accrues during the forbearance period. For details on requesting forbearance, contact your school or its billing service.

Delinquency and Default

Default can have serious consequences--not just extra charges for late payments, but also:

- damage to your credit rating, which could impact your ability to borrow (for example, you may be denied a car loan);
- referral of your account to a collection agency;
- collection costs;
- garnishment of your wages;
- withholding of your state or federal Treasury payments (including federal tax refunds, Social Security benefits, etc.);
- civil lawsuit, including court costs and legal expenses;
- loss of deferment and forbearance entitlements and flexible repayment options;
- loss of eligibility for further financial aid; and
- suspension of your professional license.

In addition, when you fail to repay your student loan, the total balance may become due immediately. There is no statute of limitations for student loans, and your creditors will not cease in their efforts to collect this debt.

Remember, if your loan is turned over to a collection agency, you will be responsible for collection costs assessed by the agency. These charges, in addition to late charges, will dramatically increase the amount you owe.

Bankruptcy doesn't cancel your loan obligation either; however, a loan may be eligible for discharge/cancellation due to bankruptcy if you can prove undue hardship in an adversary proceeding in bankruptcy court.

If you default, you may be eligible for the loan rehabilitation program. Once a loan is rehabilitated, the school will instruct credit bureaus to remove the default from your history and return your account to regular repayment status. You'll also regain the balance of benefits and privileges listed in the promissory note. Rehabilitation can only be granted once per loan.

You can include a defaulted loan in consolidation if you've made satisfactory arrangements to pay it.

Third-party student debt relief companies

Use caution when dealing with third-party student loan debt relief companies. Your loan servicer can provide the same services free of charge, such as lowering your monthly payment, changing your repayment plan, consolidating your student loans, postponing monthly payments while you are in school or are unemployed, and getting your loans out of default status.

Contact your loan servicer for help managing your loans. If you don't know who your loan servicer is, access your aid history through [StudentAid.gov](https://studentaid.gov) or call the Federal Aid Information Center at (800) 433-3243.

For help with a dispute or problem

The Federal Student Aid (FSA) Ombudsman works with student loan borrowers to resolve loan disputes and problems informally. The goal is to find creative alternatives for borrowers who need help with their federal loans. You can reach the FSA Ombudsman at:

United States Department of Education
FSA Ombudsman Group
P.O. Box 1843
Monticello, KY 42633
(877) 557-2575

studentaid.gov/help-center/answers/article/how-to-contact-ombudsman-group

More Helpful Information

Education Tax Benefits

- **Tax credits**
 - **American Opportunity Credit:** Families may receive a tax credit for expenses paid for the student's first four years of college.
 - **Lifetime Learning Credit:** You may claim a tax credit for education expenses incurred after the first two years of postsecondary education.
- **Tax deductions**
 - **Student Loan Interest Deduction:** Allows eligible student loan borrowers can deduct a portion of interest paid.
- **Other potential tax benefits:**
 - Other ways of receiving tax credits or tax deductions on the cost of higher education include Education IRA withdrawals and educational assistance provided by an employer (tuition reimbursement programs).
 - Your state may offer tax credits or deductions for educational expenses and/or student loan payments. Contact your state tax authority for more information.

For more information, contact a tax advisor or visit www.irs.gov.

To monitor your federal student loan debt, you may access your aid history online at studentaid.gov or call toll-free (800) 433-3243. You will need an FSA ID to view your loan history. Please note that this website does not list alternative or private student loans.

The U.S. Department of Education offers the publication "Federal Student Loans: Basics for Students." The publication is located at studentaid.gov/sites/default/files/direct-loan-basics-students.pdf.

Money Management

Establish yourself financially by building good credit and budgeting to keep your "wants" under control:

- Open checking and savings accounts. Don't overdraw these accounts.
- Make your monthly payments for loans and services on time each month.
- Create a spending plan that meets your "wants" as well as your "needs." Your total expenses should be less than or equal to your total income.
- If things are getting out of control, contact your creditors, seek help from a reputable credit counseling service or look into debt consolidation.

Start saving now! Try paying yourself first. Start an emergency savings fund equal to **six to 12 months of your normal monthly earnings** first.

Understand that **alternative/private student loans have different features** than your federal student loans.

Use your credit cards wisely to help you establish a solid credit rating and avoid financial problems. **Every time you use your credit card, you are borrowing money.** If you don't pay your balance each month, you will have to pay a finance charge. Keep copies of all of your credit card records and receipts to compare to your monthly statements. Follow up on any errors. Shred or otherwise destroy carbons and receipts before throwing them away.

Review your credit report, a collection of information about you and your credit history. Request your free credit reports at www.AnnualCreditReport.com annually and review them to ensure the information is accurate.

Perkins Loans Rights and Responsibilities

I understand that student loans have to be repaid. I also understand that I have specific rights and responsibilities when I borrow under the Federal Perkins Loan Program that are outlined below.

1. The school is the holder of my Promissory Note and I must, without exception, contact the school (or its billing service):
 - if I withdraw from school,
 - if I change my name,

- if my telephone number changes,
 - if I transfer to another school,
 - if my address changes,
 - if I drop below half-time status,
 - if my Social Security Number changes,
 - if my expected graduation date changes, and/or
 - if my driver's license number changes.
2. An Exit Interview is required when I graduate, withdraw, or drop below half-time status from the school. Failure to comply can result in an administrative hold being placed on my diploma, transcripts, and registration status.
 3. My first payment will be due ten months from the time I cease to be at least a half-time student.
 4. The minimum payment will be \$40 per month. The maximum length of time for repayment of all loans is ten years.
 5. The interest rate will be 5 percent per year on the unpaid principal balance. Interest will begin to accrue nine months after I cease to be enrolled as at least a half-time student with my first payment due the following month.
 6. I may be eligible to receive a partial loan cancellation for certain types of services performed [refer to Master Promissory Note (MPN)]. I am required to inform the school (or its billing service) of such status in writing in a timely manner.
 7. I may request that payments on my loan(s) be deferred based on provisions stated in my MPN. I must inform the school (or its billing service) of such status in writing in a timely manner.
 8. If I cannot pay on time, I must contact the school's student loan office (or its billing service) to make arrangements. I will be charged late fees or penalty charges for each month I fail to make an installment when due or to comply with other terms of my promissory note or written repayment agreement.
 9. If I fail to repay my loan as agreed, the total balance may become due and payable immediately.
 10. If my loan goes into default, I will no longer be eligible to receive further financial aid. My loan could be sent to an outside collection agency and legal action could be taken against me. I will be responsible for all costs of collections as stipulated in my MPN. (Default is when you fail to make an installment when due or to comply with other terms of your MPN or written repayment agreement.) A defaulted loan may be assigned to the U.S. Department of Education for collection. If you default you may lose your benefits for deferment and cancellation.
 11. I will promptly answer any communication from the school regarding my loan.
 12. I may prepay the entire balance, or any portion thereof, at any time without penalty.
 13. I realize that aggregate loan limits are \$27,500 for an undergraduate and \$60,000 for a graduate or professional student and the maximum I may borrow in any given year is \$5,500 for an undergraduate and \$8,000 for a graduate or professional student. The amount is at the discretion of the financial aid director.
 14. I authorize the school to contact any school which I may attend to obtain information concerning my student status, year of study, dates of attendance, graduation or withdrawal, my transfer to another school, or my current address. This authorization is in effect until my loan is paid in full.
 15. I understand that default on any loan(s) will be reported to national credit bureaus.
 16. I understand that I may consolidate my federal student loans.

If during your repayment you develop student loan problems that can't be resolved through the school or its billing service, you may want to contact the U.S. Department of Education Federal Student Aid (FSA) Ombudsman. They will collect documentation and work to resolve the situation with you.

Office of the Ombudsman
 United States Department of Education
 4th Floor UCP-3/MS 5144
 830 First Street NE
 Washington DC 20202
 (877) 557-2575

studentaid.gov/help-center/answers/article/how-to-contact-ombudsman-group

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