

Once You Have Student Loans

Repaying your student loan debt can be confusing. But paying late—or not at all—can have long-lasting and serious consequences. Use these tips, which include ways to lower monthly loan payments, get out of delinquency or default, or access opportunities for loan forgiveness, to help you plan and protect yourself.

All Student Loan Borrowers

- Keep copies of the loan documents that you sign in person or electronically.

Important: The promissory note is particularly important because it is the legal agreement you sign promising to repay the loan, plus interest, and any other charges and fees. The promissory note provides details about the loan terms and conditions, repayment options, and what happens when you fail to make a payment.

- Seek help at an NYC Financial Empowerment Center (see **FREE HELP**) if you do not understand all the terms in your student loan paperwork, including the interest rate and how long it will take to pay back your loan.
- **Know your payment start date so you don't miss any payments.**
 - Federal student loans and some private student loans allow you to defer payment while you're in school and for six months after graduation. This is known as a grace period.

Important: Some loans, like unsubsidized federal loans, might accrue interest during the grace period. You are not required to make payments during the grace period. However, you may be responsible in the future for paying the interest that accrues during the grace period.

- You must make payments on your loan according to your repayment schedule even if you do not receive a bill or repayment notice.
- *If you used a cosigner for your student loan,* make sure you and your cosigner agree on who will make payments. A cosigner is a co-borrower and is responsible for paying the debt if you fail to pay the loan.

Private Student Loan Borrowers

- Private student loans are issued by private lenders such as banks, an online lender, or credit unions. Private student loans will not be in your Federal Student Aid account but might be available on your credit report, which you can get for free at annualcreditreport.com.
- Your school's financial aid office may also have information about your private student loans.
Note: Unlike federal student loans, private student loans lack many of the protections that are offered to federal student loan borrowers such as income-driven repayment plans or loan forgiveness.

Important: If you're considering refinancing private student loans, note that the terms will likely change your interest rate and how long it will take to pay back the loan. Seek help to understand the terms of any loans you consider.

Federal Student Loan Borrowers

- To learn more about your student loans, including how much you owe, your interest rate, loan repayment status, and the name of your loan servicer, follow these steps:
 - Visit studentaid.gov to create your Federal Student Aid (FSA) ID if you do not already have one. *Note:* The FSA ID is the same username and password you used when you filed your Free Application for Federal Student Aid (FAFSA).
 - With your FSA ID, log in to studentaid.gov.
 - Using the FSA website, you can find out how much you owe and who services your loans.
 - ◆ Visit your studentaid.gov dashboard for your student loan servicer. You can also call the Federal Student Aid Information Center at 1-800-433-3243.
 - ◆ A **loan servicer** manages your loans and will be your primary point of contact in repaying your loans, picking a payment plan, consolidating your loans, or answering your questions.



Federal Student Loan Discharge

There are several kinds of federal student loan discharge. “Discharge” means you are no longer required to make payments on your student loans due to certain circumstances. For example, you may be eligible for a kind of federal student loan forgiveness called “[borrower defense](#)” if you took out loans to attend a school that misled you about your likelihood of finding a job or obtaining certification or licensure in your field of study, the school’s graduation rates, earnings after graduation, or the cost of education at the school. If your college or career school closed while you were enrolled or soon after you left school, you may qualify for a “[closed school discharge](#)” of your federal student loans. Other forms of discharge include Ability to Benefit Discharge, Total and Permanent Disability Discharge, and [more](#). You may want to seek legal assistance with your application for loan discharge.

New York State Student Loan Repayment Assistance Programs

New York State offers other loan payment assistance programs for those in certain professions who qualify.

There is also the New York State Get on Your Feet Program. Under the Program, New York State will make student loan payments directly to your loan servicer for up to 24 months. To qualify, you must be a New York resident who earned an undergraduate degree from a New York State college or university December 2014 or after, have an adjusted gross income of less than \$50,000, and meet other eligibility requirements. Learn more at hesc.ny.gov.

One-Time Income-Driven Repayment Account Adjustment

In April 2022, the U.S. Department of Education (U.S. ED) announced that it will conduct a one-time adjustment of payment counts for eligible borrowers in income-driven repayment (IDR) plans. It will allow more borrowers to get qualifying payment credit toward IDR plans and the Public Service Loan Forgiveness (PSLF) Program. Borrowers may get credit for the following:

- Any months in a repayment status
- Time spent in forbearance, specifically 12 or more months of consecutive forbearance or 36 or more months of cumulative forbearance
- Most deferments prior to 2013 and economic hardship deferments after 2013
- Months prior to loan consolidation

Borrowers will *not* get credit for time spent in an in-school deferment, grace period, or default. For PSLF, you must still meet the employment requirement and certify your employment. In July 2023, U.S. ED started notifying Direct Loan borrowers of this automatic account adjustment.

Please note: If you have commercially held Federal Family Education Loans (FFEL), Federal Perkins Loans, or Federal Health Education Assistance Loans (HEAL), you must consolidate them by December 31, 2023 to take advantage of the IDR Account Adjustment.

Federal Student Loan Borrowers Seeking an Income-Driven Repayment Plan

You may be eligible to make payments based on your income.

- **Income-driven repayment (IDR) plan** options set your monthly loan payment at an amount that is based on your income and family size. Depending on your income, your payments could be as low as \$0 a month. If you do not qualify for these options, you may qualify for a graduated repayment plan that allows you to make smaller initial payments that increase over time. A graduated repayment plan could extend your repayment period and increase the total amount you pay in loan interest. Some repayment plans, like graduated repayment, do not qualify for certain debt cancellation programs, like IDR or Public Service Loan Forgiveness (PSLF).

To see the various payment plans and your options, visit studentaid.gov and log in to the Loan Simulator tool using your FSA ID.

Important: U.S. ED announced a new IDR option **Saving on a Valuable Education (SAVE) Plan** which allows borrowers with undergraduate loans to pay smaller monthly payments and reduce the number of total payments before forgiveness.

- You may be able to consolidate your Perkins and Federal Family Education Loan (FFEL) loans to qualify for an income-driven repayment plan such as Pay As You Earn (PAYE) or SAVE.

Important: Be careful which loans you include in consolidation and avoid consolidating Parent PLUS loans with student loans you took out for your own education because you could lose access to favorable repayment plans.

If you are considering refinancing your federal student loan into a private student loan:

- Understand that you will lose access to the forbearance, deferment, income-driven repayment, rehabilitation, and consolidation options described in this sheet, as well as the forgiveness and discharge options available for federal student loans only.

Federal Student Loan Borrowers Seeking Loan Forgiveness

In certain situations, you may qualify to have your federal student loan forgiven, canceled, or discharged, which means that you no longer need to repay your loan.

- Loans made under the **Federal Perkins Loan Program** may be eligible for forgiveness if you work in certain professions such as firefighting, law enforcement, nursing, teaching, and social work. Learn more about this option at studentaid.gov.

- The **Public Service Loan Forgiveness (PSLF) Program** forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full time for a qualifying employer, such as a U.S. federal, state, local, or tribal government or not-for-profit organization.
 - Make sure you understand which jobs qualify for PSLF and which loans are eligible. Visit studentaid.gov to learn how to apply.
 - If you decide to participate in the program, your employer will need to [certify your employment](#) in order for you to qualify for loan forgiveness, which starts after 120 qualifying payments. Use the [PSLF Help Tool](#) for help starting the PSLF Form.

Important: PSLF is not considered taxable by the Internal Revenue Service (IRS). But other debt forgiveness programs are taxable, which means you will owe taxes on the amount that is forgiven through the program. Please consult a tax professional with questions.

Federal Student Loan Borrowers Who are in Default

Below is information about programs to help you get out of default.

- **Automatic Payment Suspension During COVID-19**
This program ended on August 30, 2023. Interest began to accrue on September 1, 2023, and federal student loan payments restart on October 1, 2023. Visit studentaid.gov for updates.
- **Fresh Start**
Borrowers with defaulted federal student loans can bring their loans back into good standing without penalty, repair credit, and restore access to federal student aid and other government loans. You must enroll by September 2024. Visit studentaid.gov to learn more and to enroll.
- **Rehabilitation**
To rehabilitate Direct and FFEL loans, you must make nine payments in a 10-month period and, for Perkins loans, you must make nine payments in a 9-month period. If you cannot afford to pay the required amount, you can negotiate a “reasonable and affordable” monthly payment (as low as \$5 a month) with the debt collector or loan servicer who has contacted you about your debt.

When you rehabilitate the loan, the default will be removed from your credit report and you may resume making payment to your loan servicer. Even though your credit report may not show the default, your history of missed payments will remain on your credit report for seven years. Typically, collection fees (up to 16 percent of the unpaid loan balance) are assessed for rehabilitating the loan and may be added to your loan balance.

■ Consolidation

Consolidation, which combines your previous loan(s) into one new loan, offers a quicker path out of default. Consolidation can lower your monthly payment by giving you a longer period of time (up to 30 years) to repay your loans.

When you consolidate, the default for your old loans will stay on your credit report for up to seven years. Collection fees of up to 18.5 percent of the unpaid loan balance may be added into your new consolidation loan. Consolidating your loans will cause you to lose credit for any payments made toward PSLF or certain loan discharges.

Visit studentaid.gov for information about rehabilitation and consolidation.

Once you rehabilitate or consolidate your loan, consider an income-driven repayment plan option.

Student Loan Borrowers Who are Behind on Payments

Federal Student Loan Borrowers

- If you need immediate help, **deferment** and **forbearance** allow you to temporarily stop making payments on your loans. In most cases, the *interest will still accrue*. If making your monthly loan payments is a struggle, enrolling in an income-driven repayment plan may be more affordable in the long run than deferment or forbearance.

Private Student Loan Borrowers

- Contact your servicer to ask about options to lower your payment or to temporarily defer your loan payments if you're experiencing a financial hardship. Another option is to refinance to a loan with a lower interest rate and/or a longer repayment period. Be aware that many refinance loans charge fees.

Free Help

Get free help completing the Free Application for Federal Student Aid (FAFSA) with College Goal NY

Visit collegegoal.ny.gov for a list of event locations.

Get free professional financial counseling at an NYC Financial Empowerment Center

Financial counselors can help you understand your rights and responsibilities when it comes to your student loans, including payment options, loan forgiveness, or how to get out of delinquency or default. To book an appointment: Visit nyc.gov/TalkMoney | Call 311

NYC Financial Empowerment Centers are run by the Department of Consumer and Worker Protection in partnership with community-based organizations. Counselors can also make referrals to nonprofit legal services providers as needed.

Other Resources

College Board: bigfuture.collegeboard.org/pay-for-college/financial-aid-awards

College Navigator: nces.ed.gov/collegenavigator

College Scorecard: collegescorecard.ed.gov

Consumer Financial Protection Bureau (CFPB): consumerfinance.gov

Federal Student Aid (part of the U.S. Department of Education): studentaid.gov

National Association for College Admission Counseling: nacacnet.org/student

New York State Higher Education Services Corporation (HESC): hesc.ny.gov

U.S. Department of Education: studentaid.gov/understand-aid/types/loans/federal-vs-private