

May 2021 Financial Newsletter

Repaying Your Federal Loans

After graduation, you will have a six-month grace period before you start repaying your subsidized and unsubsidized federal student loans. You can defer payments if you are enrolled at least half time in a graduate school or fellowship program, are participating in an approved full-time disability rehabilitation training program, are undergoing cancer treatment, or are called to active military duty. You can also apply for a deferment for up to three years if you are serving in the Peace Corps, unemployed, or experiencing financial hardship. For more information go to <https://studentaid.ed.gov/repay-loans/deferment-forbearance>. Currently, COVID-19 pandemic emergency suspension of payments on federal student loans is set to expire September 30, 2021.

Before you start repaying your federal loans, you should select the repayment plan listed below which best fits your financial situation. If you do not choose a repayment plan you will be placed in the Standard Repayment Plan.

Standard Repayment Plan allows you to pay off your loan in the shortest time with the least interest. You pay a fixed amount every month for up to 10 years.

Graduated Repayment Plan starts with lower payments that increase every two years. The maximum term for this loan is 10 years. With this plan you will pay more in interest than with the Standard Plan.

Extended Repayment Plan permits you to repay the loan over 25 instead of 10 years if you have more than \$30,000 in federal loans. Payments may be fixed or graduated. With this plan you will pay a higher interest amount than with the Standard Repayment Plan.

Income Contingent Repayment Plan sets your monthly payment at the lesser of 20 percent of your discretionary income or the amount you would pay under the Standard Repayment Plan but with a fixed 12-year term. Payments are adjusted as your income and family size changes. The maximum term for this plan is 25 years at which time any outstanding balance may be forgiven.

Income Based Repayment Plan sets your maximum monthly loan payment at 10 to 15 percent of your discretionary income. To be eligible for this plan you must have a high debt to income ratio. Payments are calculated each year based on your income and family size. The maximum term for this plan is 20 or 25 years, at which time any outstanding balance may be forgiven.

Pay as You Earn Repayment Plan sets your maximum monthly payment at 10 percent of your discretionary income. To be eligible for this plan you must have a high debt to income ratio. Payments are calculated each year based on your income and family size. The maximum term for this plan is 20 years at which time any outstanding balance may be forgiven.

For more information about federal student loan repayment go to <https://studentaid.gov/manage-loans/repayment>. For assistance in choosing the best repayment plan for your financial situation go to <https://studentaid.gov/loan-simulator> to get an estimate of your monthly payments, payoff dates, and the total amount you will pay with each plan.

Congratulations to our TRIO Graduating Seniors!

