

STUDENT LOAN

SURVIVAL GUIDE

Navigating Student Debt from Start to Finish



Washington State
Office of the Attorney General
Bob Ferguson
January 2017

About This Guide

This guide provides information to help Washington residents navigate the confusing process of student loan borrowing and repayment. It contains information to assist borrowers and their families at every step of the process, from prospective students planning how to pay for school, to students leaving school and entering repayment, to borrowers who have been unable to make payments and defaulted on their loans.

This guide presents a general overview of information that can assist student loan borrowers and their families. It is not intended to be a substitute for detailed legal analysis, nor does it provide comprehensive legal review.

This guide was last updated in January 2017. Federal and state laws and how they apply can change as a result of court decisions, legislation, and agency rulemaking. Portions of this guide may become obsolete over time. Check to make sure that the information is current and covers your particular situation.

How to Use This Guide

This guide is written to provide assistance to all students in Washington pursuing post-secondary education, whether a certificate program, vocational training, a four-year program, or beyond. For simplicity, this guide uses the term “college” broadly to refer to any type of post-secondary education.

Each chapter provides information for borrowers or family members at different steps in the process. It begins with basic financial information and continues through the process from financing higher education to repayment.

Student loans are complicated, and borrowers may not be familiar with all of the terminology. A glossary to explain terms is at the end of this guide, just before the last section.

Additional resources, including state and federal agencies and organizations that may be able to provide assistance, are referenced throughout the guide and are listed in the last section.



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Vision: The Office of the Attorney General will be the best public law office in the United States.













Values: All staff in the Office of the Attorney General are guided by the following core values:

- We will deliver high quality legal services and remember that we serve the people of Washington.
- We will conduct ourselves with integrity, professionalism, civility, and transparency.
- We will promote a collegial, inclusive, and diverse workplace that values, respects, and supports our employees.

Disclaimer

The information provided in this guide is provided as a resource for general educational purposes and is not provided for the purpose of giving legal advice of any kind. This guide does not represent the legal opinions of the Attorney General's Office. Readers should not rely on information in this guide regarding specific applications of the laws without seeking private legal counsel or legal assistance.

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FINANCIAL BASICS

Higher education is a significant investment. Students must pay for tuition, housing, books, food, and transportation. To cover these expenses, many students need to borrow money and may need to create a budget for the first time. This section provides basic financial information, including information about loans.

General Financial Tips

1. Write down a budget, including income and expenses. A useful guide can be found at:

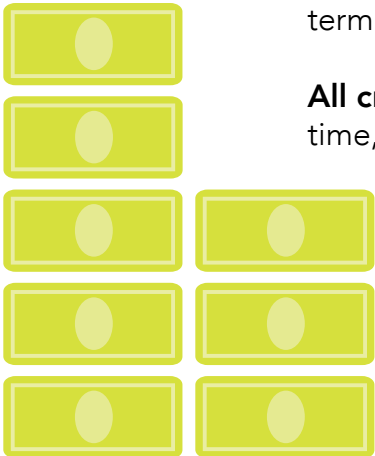
<http://www.dfi.wa.gov/sites/default/files/publications/get-smart-money-sept-08.pdf>

2. Divide expenses into two categories: things you need and things you want.
3. Take care of your needs first.
4. Pay your bills on time to avoid additional fees.
5. Put money aside for emergency savings.

What is Credit?

Any type of loan is a form of credit, including a student loan, car loan, or credit card. Credit is often used to pay for large, longer-term purchases such as a car, house, or college tuition.

All credit must be repaid. If you do not make loan payments on time, your credit score will be negatively impacted.

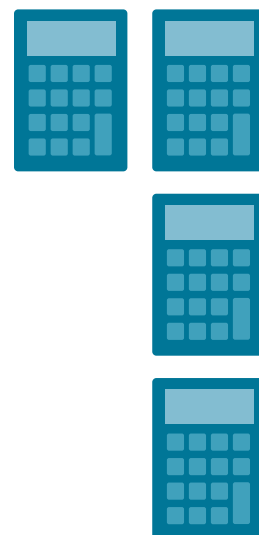


Credit Score

A credit score is a number used by lenders to determine the risk of lending you money and the interest rate you will pay. A high credit score demonstrates that you are a safe person to lend to and results in lower interest rates. A low credit score results in higher interest rates and can make it difficult to receive credit, get a job, or rent a house. Your credit score follows you throughout your life. It can change depending on your financial circumstances and practices.

You can easily track your credit without cost. You are entitled to three free credit reports each year, one from each of the three credit bureaus: Transunion, Equifax, and Experian. The only website that provides these free reports is:

www.annualcreditreport.com



Principal and Interest

When you take out a loan, the amount of money you receive from the lender is called the *principal*. *Interest* is the cost that you pay to borrow the money. Interest is generally listed as an annual percentage rate, or APR. The higher the interest rate, the more you will pay before the loan is paid off.

Fixed Versus Variable Interest Rate

A *fixed interest rate* will not change over the life of the loan and is set in the loan contract.

A *variable interest rate* is one that may change over time. If the interest rate rises, the loan payments will increase. This makes variable interest rates riskier than fixed interest rates. The details about the interest rate should be clearly stated in the loan documents.



Tips for Using Credit

If you take out a loan, including a student loan, the following practices can help you pay less in interest and maintain, or even improve, your financial health, including your credit score:

- *Make all payments on time.*
- *Make extra payments or payments ahead of schedule when possible; this lowers the loan amount. Request that these payments be applied to the principal of the loan.*
- *When you make an extra payment, ask that the lender not advance the due date for your next payment, if you'll be able to afford it as scheduled. The sooner you pay the loan, the less interest you will incur.*
- *If you have multiple loans and can pay more than the minimum, make the "extra" payment on the loan that has the highest interest rate.*
- *Check the charges on your statement regularly. Ask about any unexpected charges or fees.*
- *If you use a credit card, keep the balance below 30 percent of the purchasing limit and pay off the balance regularly if possible.*

Although you may be eligible for a particular loan amount, this does not mean it is financially wise for you to borrow the full amount. Only borrow as much as you need and begin to repay the loan as soon as possible, or at a minimum pay any accrued interest. Early repayment can result in significant savings over the life of the loan.



Loan Servicing and Servicers

A *loan servicer* is a company that handles your loan, including sending bills, processing payments, answering inquiries, and changing payment plans. If your financial circumstances change during your repayment period, contact your loan servicer immediately.

More information on servicers is available beginning on page 33 of this guide.



WHAT DO I NEED TO KNOW BEFORE CHOOSE A SCHOOL?

Considerations

There are many factors to think about when choosing a school. The factors discussed in this section can help you assess the value of the financial investment you are considering. However, you may want to consider other factors not discussed here, such as the program of study, the degrees offered, location, size, campus environment and more.

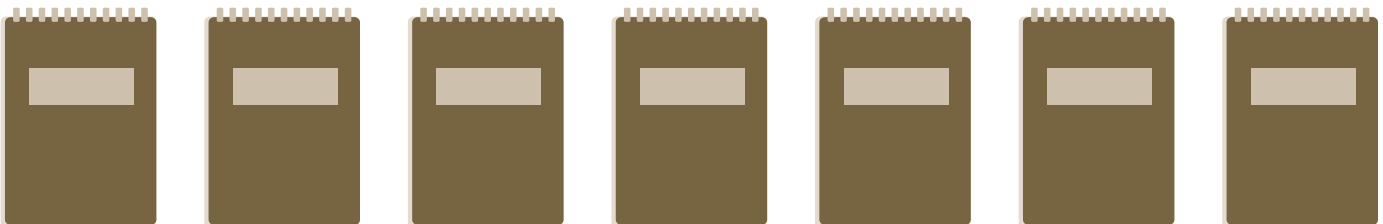
Gather information about schools you are considering through research, by asking questions, visiting the school, and studying College Scorecard data from the U.S. Department of Education. All of this will help you make an informed decision.

College Scorecard Data

The U.S. Department of Education provides information about factors you may want to consider when choosing a school, such as average annual cost and graduation rate. This information is available at:

<https://collegescorecard.ed.gov>

You can search the Scorecard by school name, program of study, or location, and you can compare the school's scores to the national average. Not all schools are listed, but the information can help you decide whether a listed school would be a good investment.





Total Cost of Attendance

Tuition and fees are important, but not the only costs to consider. The total cost of attendance includes room and board, books, transportation and personal expenses. These costs may change each year.

Availability of Financial Aid Other Than Loans

This includes scholarships, work study programs, grants and any other aid that might be available to you and could reduce the amount you need to borrow. Many scholarships and grants have eligibility requirements — these may require you to maintain a certain minimum grade point average or meet other criteria for the aid to be renewed. Other scholarships and grants are given as a one-time award — for example, only in the freshman year. Fill out the [FAFSA](#) as soon as possible to learn what your federal aid package may look like.

Accreditation

Accreditation is a certification that a school meets an acceptable level of educational quality. Accrediting agencies establish standards that schools must meet.

Check that the school and program you are considering is accredited, and think very hard before attending a non-accredited school or program. Federal student grants and loans are not available at non-accredited schools. In some fields, you must attend an accredited program to get a license to work in the field, and attending a non-accredited program will not help you earn the job you want.



Eligibility for Employment in Your Field

Some fields, such as nursing, medicine, and law, have specific criteria for employment or restrictions on eligibility to work in the field, often relating to prior criminal convictions. Be sure to confirm your eligibility for employment in your prospective field from a source other than the school before enrolling in a program.

Program Completion Rates

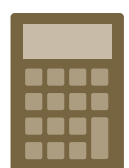
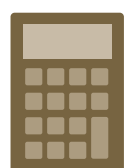
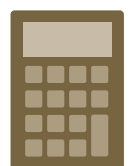
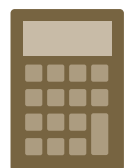
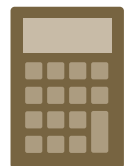
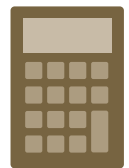
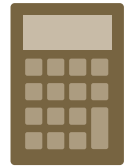
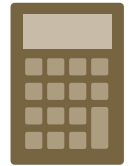
There are many reasons why a student may not complete a program of study, but if the completion rate seems low for a particular school or a particular program, ask questions to understand why.

Employment Rate in Your Field of Study

Do students who leave the school you are considering find a job in the field they studied? If this percentage is low, graduates might not be getting all the skills or qualifications needed to get a job in the field. You may want to consider other schools or another field of study.

Average Debt of Graduates

When students leave the program—graduate or drop out—how much do they owe in student debt? This can help you to get an idea of what your debt burden may look like.



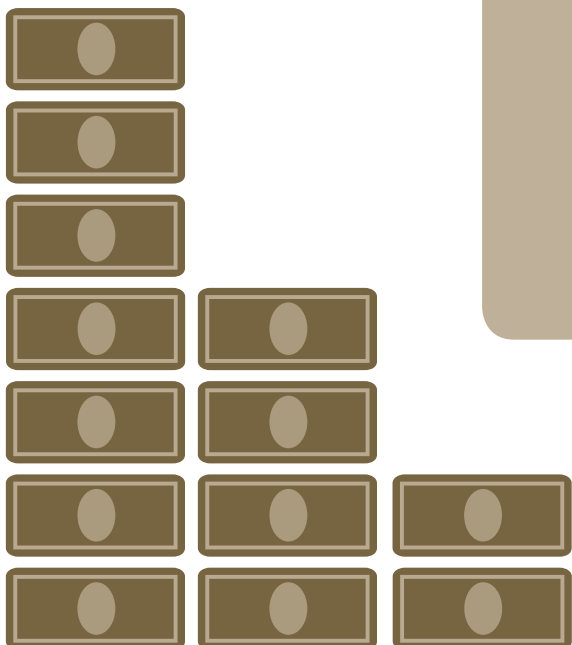
Percent of Total Debt That is Non-Federal (Private)

If a large part of student debt from a particular school is from private lenders, this could suggest that students are steered toward private loans, or that costs are high enough that federal loans cover only a limited portion of the cost. Private loans are made by banks, credit unions and other financial institutions, and in some cases, the schools themselves. Private loans are not required to have the same consumer protections and flexible repayment options as federal loans, so private loans are generally riskier for borrowers.

Loan Default Rates of Graduates

If a relatively high percentage of graduates default on their loans, this may indicate that graduates have trouble getting jobs in their field, have trouble getting jobs that pay enough to make payments on student debt, or that they graduated with too much debt to repay. In any case, a high default rate is a red flag.

Taken alone, none of these factors can provide enough information to fully inform a decision. Gathering as much information as possible and asking questions on these and other factors that may be specific to your personal situation can guide you to an informed financial decision as you decide on a school, a field of study, and a plan to pay for your education.



HOW DO I PAY FOR EDUCATION?

Free Application for Federal Student Aid (FAFSA)

Fill out the Free Application for Federal Student Aid (FAFSA) to find out if you are eligible for financial aid. Schools use the FAFSA to determine your eligibility for federal aid, and many states, colleges, and scholarship programs use it to help award grants and loans. You must file the FAFSA every year you attend school.

The FAFSA and additional information are available at: <https://fafsa.ed.gov/>
Use only the government website to complete the FAFSA.

Beginning in 2016, the annual enrollment period opens on October 1. Fill out the FAFSA as soon as possible after the enrollment period begins. Some forms of aid are allocated on a first come, first served basis. The earlier you complete the FAFSA, the sooner you will know what your federal aid package looks like. This will help you make good decisions about borrowing to pay for school.

Students planning to pursue higher education, even those who may not require need-based aid, should fill out the FAFSA. This will trigger an examination of aid and scholarship eligibility by institutions that can go beyond a needs-based assessment.

Undocumented students cannot receive any federal financial aid and do not need to complete the FAFSA. However, in Washington, they are eligible for state financial aid, and should complete the WASFA (information below)

Washington Application for State Financial Aid (WASFA)

The Washington Application for State Financial Aid is similar to the FAFSA, and determines your eligibility for Washington-specific financial aid programs like the State Need Grant, College Bound Scholarship, State Work Study, and the Passport to College Promise Scholarship. Application is free. Unlike the FAFSA, the WASFA is open to students regardless of immigration status. You can find the WASFA and additional information at <http://readysetgrad.org/wasfa>. More information about state programs is available throughout this chapter.

Loan Alternatives

Savings

If you are able to pay for some or all of your college costs with savings, you can reduce or eliminate the amount you need to borrow.

In addition to traditional savings from an interest-bearing cash savings account, you can use savings in the form of a GET or a 529 savings account. These are savings accounts specifically for funding higher education. They are generally used to help families save for their children's future higher education costs. The after-tax money put into the account will grow tax-free. When the child goes to college, withdrawals are tax-free as long as they are used to cover higher education expenses.

There are two types of 529 programs: prepaid tuition plans and savings plans. Washington's Guaranteed Education Tuition (GET) program is a prepaid tuition program. To open a GET account, either the account owner or the recipient must be a Washington resident. More information is available at:

www.get.wa.gov



Scholarships

Scholarships are money awarded to pay for education. They generally do not need to be repaid. Scholarships are often merit-based, which means based on achievement rather than need. There are many sources of scholarships, including federal, state or local governments, schools, and private or non-profit organizations. Many scholarships require specific applications; others may be included as part of your financial aid offer from your school.

The U.S. Department of Labor offers a free scholarship search tool at:

<http://www.careeronestop.org/toolkit/training/find-scholarships.aspx>

Some scholarships are offered on a one-time basis. Others are renewable for several years. Continuous or renewable scholarships often have conditions that need to be met to maintain eligibility for the scholarship.

Washington State Scholarship Programs

- College Bound Scholarship: This program serves as an early commitment of state financial aid to eligible students. Students can sign up in middle school and must fulfill the scholarship pledge to maintain their eligibility in the program. More information is available at:
<http://www.readyssetgrad.org/college/college-bound-scholarship-program>
- Passport to College Promise Scholarship: This program helps students from foster care prepare for and succeed in college. Eligible students can receive a scholarship, as well as specialized support services from college staff and priority consideration for the State Need Grant and State Work Study programs. More information, including a link to the Passport Consent Form to apply, is available at:
<http://www.readyssetgrad.org/college/passport-foster-youth-promise-program>
- Washington State Opportunity Scholarship: This program provides financial assistance to Washington state high school students who attend a college or university in Washington to pursue a bachelor's degree in an eligible science, technology, engineering, math, or health care field. To be eligible, students must have a family income of no more than 125 percent of the Washington state median income. More information is available at:
<http://www.readyssetgrad.org/college/washington-state-financial-aid-programs>





Grants

Grants are generally need-based financial aid that do not need to be repaid. Federal grants are usually awarded through the FAFSA application, but other grants may also be available. Ask your school's financial aid office to see if you qualify for grant funding.

Like scholarships, some grants may only be offered for a single year, while others may have eligibility requirements for renewal.

More information about federal grants and scholarships is available at:

<https://studentaid.ed.gov/sa/types/grants-scholarships>

Washington State Need Grant

This program helps undergraduate students with the greatest financial need pursue degrees, refine skills, or retrain for new careers. To be eligible, a student must be a Washington State resident, attend an eligible school, and have a family income at or below specific amounts listed at:

www.readysetgrad.org/college/grants



Work Study

Work study is part-time employment for students to earn money while they are enrolled in school. It is generally awarded based on financial need by your school as part of your financial aid package. For more information about work-study, contact your school's financial aid office or visit:

<https://studentaid.ed.gov/sa/types/work-study>

Washington State Work Study

This program allows low- and middle-income students to earn money to pay part of their college costs, while simultaneously giving them valuable work experience. When you file the FAFSA or WASFA, you will automatically be considered for State Work Study. You can contact your Financial Aid Office for more information or visit:

<http://www.readysetgrad.org/college/state-work-study>



Loans

After you have exhausted other sources to pay for your education and have considered attending a less expensive institution, you may need to borrow funds to cover the remaining costs of attendance. If you need to use student loans, several options are available.

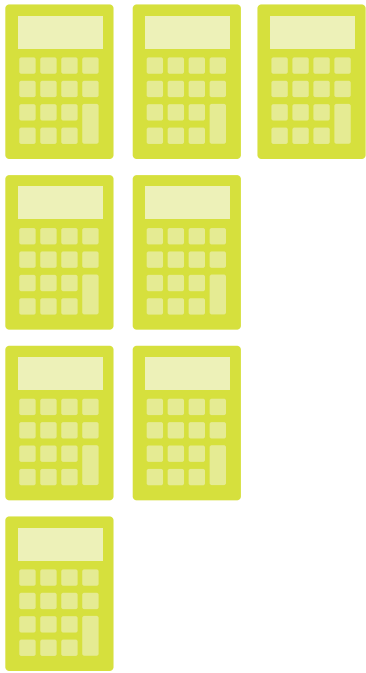
This guide refers to “your loan,” but some students have more than one loan. These loans may have different terms, limitations, and repayment conditions.

The most important distinction in student loans is between federal loans, which are made directly by the U.S. Department of Education, and private loans, which are made by lenders like banks or the schools themselves. Federal loans have many protections for borrowers and should be used before private loans.

Loan Basics

- If you need to take out a loan, create a realistic budget, keep track of how much you borrow, and don't borrow more than you need. You will need to repay the loans with interest after you leave school. The more you borrow, the higher your monthly payments may be, and the longer you will be in repayment.
- You have the right to decline funds. You should never be pressured to take funds you don't want or need.
- Keep copies of your loan documents. Once you sign a contract, you are bound by its terms. It is important that you understand and have a record of your rights and responsibilities.
- Once you enter repayment, make your payments on time and stay in contact with your loan servicer. More [information on repayment](#) is available in a later chapter of this guide.





Federal Loans

If you need a loan to finance your education, use federal loans first. Compared with loans made by private lenders, federal loans often have lower interest rates, more borrower protections, and more flexible repayment and forgiveness options. In most cases, federal loans do not require a credit check or a co-signer, while private loans generally do.

To apply for federal loans or other federal assistance, you and/or your parents will need to fill out the [Free Application for Federal Student Aid \(FAFSA\)](#). The FAFSA, [Washington Application for State Financial Aid \(WASFA\)](#), and many college applications have deadlines that you should keep in mind.

Federal Loan Options for Undergraduate Students

Direct Loans

The William D. Ford Federal Direct Loan Program (known as the Direct Loan Program) is the largest federal loan program. Four types of loans are made under this program:

- **Direct Subsidized Loans**
Undergraduate students who demonstrate financial need may be eligible for Direct Subsidized Loans. “Subsidized” means the Department of Education pays the interest on the loan while the borrower is enrolled in school at least half-time, during the grace period, the first six months after you leave school, and while the loan is in deferment.
- **Direct Unsubsidized Loans**
These loans are available to undergraduate and graduate students, regardless of financial need. The Department of Education does not pay interest on unsubsidized loans at any time.

Undergraduate students can borrow a maximum of \$5,500 and \$12,500 per year, depending on several factors, including year in school and financial dependency status (independent or dependent on parents). Your school will determine the amount of your loan based on the other aid you receive (grants, scholarships, work study) and the cost of attendance.



- **Direct PLUS Loans**

PLUS loans are most commonly used by parents or family members to assist with undergraduate education expenses not covered by other financial aid. Graduate students can also use PLUS loans to pay for their education. More information about PLUS loans is available in a **later section of this guide**.

- **Direct Consolidation Loans**

Consolidation allows borrowers to combine several federal loans into one loan with a single servicer. These loans are generally used by borrowers who have completed school; more information on Consolidation loans is in a later section of this guide.

Perkins Loans

The Federal Perkins Loan Program is a school-based program for students who have exceptional financial need. For eligible undergraduates, Perkins Loans are available up to \$5,500 per academic year, depending on the amount of other aid received, financial need, and the availability of funds at your school.

Your school's financial aid office will determine your eligibility for the program. You can contact that office if you have questions.



Federal Loan Options for Graduate Students

Graduate students are generally eligible for the same federal loan programs offered to undergraduates, as well as PLUS loans. The limits on loan amounts for graduate students are higher – up to \$8,000 per year in Perkins Loans and \$20,500 per year in Direct Unsubsidized Loans. PLUS loan amounts for graduate students are capped only by the cost of attendance at your school.

Loan amounts available through each federal program are based on several factors, including the cost of attendance, financial need, and other aid that you receive. You should only borrow as much as you need.

Private Loans

Private loans do not have the same borrower protections and flexible repayment options as federal loans. You should exhaust your federal loans and other financial aid options, such as scholarships and work study, before using private loans to pay for your education.

Private loans are made by banks, credit unions and other financial institutions, and sometimes the schools themselves. Rates and terms for private loans are not as closely regulated as federal loans which means they are generally riskier and more expensive. Many private loans have variable or changing interest rates, which will impact the amount of your monthly payments. Many also require a co-signer, who is equally responsible for ensuring that loans are repaid. [Information for co-signers](#) is available in a later chapter of this guide.

If you need to use a private loan, shop around and compare your options before choosing a lender. Make sure you understand the terms of your loan —especially the interest rate, when default occurs, and fees and penalties, as well as any available benefits.

The Consumer Financial Protection Bureau (CFPB) has authority over most private student lenders, and has a complaint system that borrowers can use if they are having trouble with their private student loans. The CFPB's complaint system is available at:

<http://www.consumerfinance.gov/complaint/>

WHAT DO TRANSFER STUDENTS NEED TO KNOW?

The information earlier in this guide about paying for college and financial considerations is also applicable for students planning to transfer from one school to another. In addition, the following information is provided specifically to assist transfer students.

Before Transferring

- Familiarize yourself with the financial aid policies of your prospective school and be aware of requirements, application procedures, and deadlines. Some schools may provide scholarships or grants for transfer students, while others do not. Contact the financial aid office of your prospective school to learn about their policies.
- If you are currently attending a school for an Associate's degree or shorter program, such as a community college, look into whether your current school has a relationship with a nearby 4-year college. This can make transferring credits much simpler.
- Before committing to a school, be sure that your credits will transfer so that you do not need to repeat courses that you have already taken, incurring more costs and delaying your career.
- Obtain a copy of your official transcript for your records. This will be sent directly to the school(s) you are applying to.
- Meet with an adviser at your current college to help you with the process, answer any questions you have, and help you find courses to take which may transfer more easily. They may also connect you with the right people at your prospective school(s) to help you get all the information you need.
- **Be aware of timelines and deadlines.** Transferring may cause your intended graduation date to shift, affect plans to study abroad, or cause other disturbances in your college education. Closely review if/how your credits will transfer and try mapping out your terms at the new school to understand if it will be a realistic switch. It is a good idea to contact both an adviser at your current school and an adviser at your prospective school to acquire the information you will need to determine if a transfer is feasible or not.

During the Transfer Process

- Leave yourself with enough time to go through the application and transfer process. Stay on top of application deadlines. Avoid rushing through the transfer process—do your background research and planning ahead of time. Remember that the FAFSA deadline remains the same; submit the FAFSA as early as you can.
- Contact the advising office(s) at the new school(s) you are applying to to find out which of your credits will transfer. This will help you understand how your remaining time in college will be impacted (for example, if it will take longer to graduate once you transfer to a new school).



WHAT DO PARENTS AND CO-SIGNERS NEED TO KNOW?

Federal PLUS Loans

PLUS loans are federal loans offered to parents of dependent undergraduate students to assist their child or dependent pay for college expenses. PLUS loans are also available to graduate or professional degree students to pay for their own educational expenses.

To be eligible to receive a PLUS loan, a borrower must complete an application and undergo a credit check. The federal government *does not* consider ability to repay the PLUS loan when determining eligibility. Borrowers should consider their ability to repay the loan and how it might affect retirement or other financial plans.

For parent borrowers, PLUS loans enter repayment status as soon as the loan amount has been fully paid out. There is no grace period for PLUS loans while the student is enrolled, as there is for other types of federal student loans taken out by the student.

Parents cannot transfer the balance of a PLUS loan to the student. Available repayment plans and deferment and discharge options are based on the parent's financial situation, not the student's.



Private Loans and Co-Signers

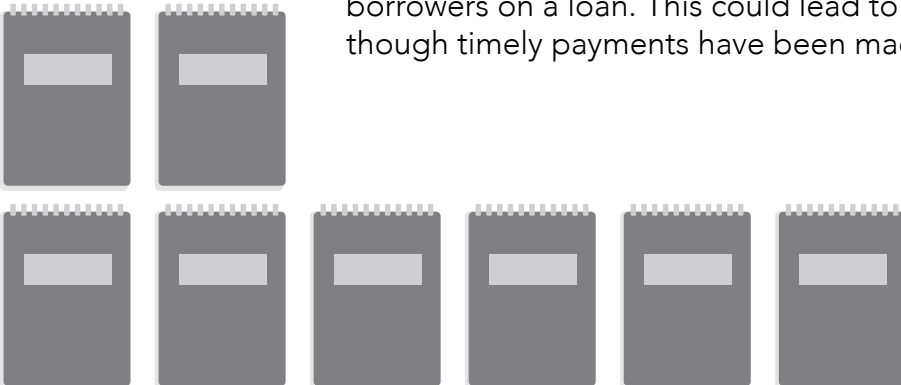
Do not take out private loans until federal loan options have been exhausted. There are important differences between federal and private loans that should be considered.

If a student is the primary borrower of a private student loan, a lender may require a student to have a co-signer—generally someone with an established credit history. Co-signers share equal responsibility to repay the debt. If the student borrower is unable to make payments, the co-signer must make them. The loan will also likely appear on both the student's and co-signer's credit reports, which could affect the cosigner's credit score and ability to obtain other loans. Debt collectors can pursue collection from the student borrower and the co-signer.

Ninety percent of private student loans have co-signers, often the student's parents or other family members. Before you decide to co-sign a loan, be sure you understand your responsibilities.

If you are a student considering asking someone to co-sign a student loan for you, you should assume that the co-signer will need to make the payments. Consider their ability to repay the loan over the life of the loan. Factor in any anticipated changes in their financial situation, such as retirement.

Unlike the income-driven repayment plans available for federal loans, private loans have fewer flexible repayment options if the borrower and co-signer are struggling to make payments. Private loans are also not required to have discharge provisions if the borrower passes away or becomes disabled. A borrower or co-signer's death or bankruptcy may trigger a default for all borrowers on a loan. This could lead to default on a loan even though timely payments have been made.



CONSIDERATIONS FOR SERVICE MEMBERS AND VETERANS

Service members and veterans have specific benefits available to advance their education and skills. These benefits are offered in recognition of the sacrifices made by those who serve in our Armed Forces. Earning these education benefits can be a motivating factor for choosing to serve.

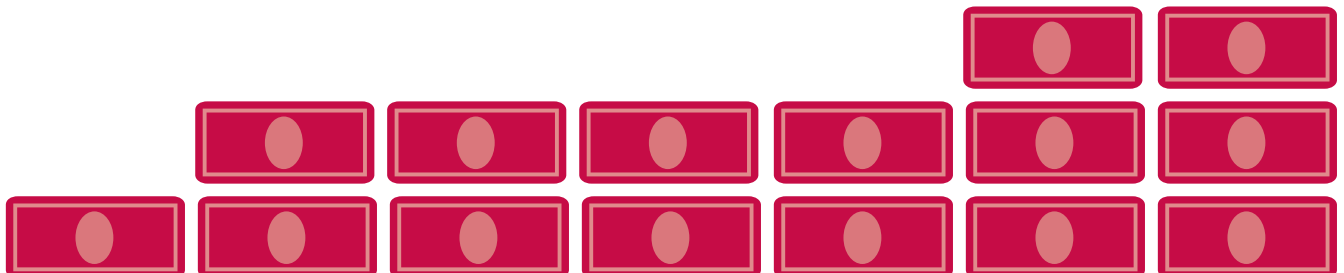
Please note that this guide does not provide a comprehensive overview of all of the educational benefits unique to military service members and veterans but offers basic information and links to additional resources you may find helpful. Contact your local Veterans Affairs Education Office for details on qualifications and availability.

Paying for College

GI Bill and Other Veterans Benefits

Many benefits are available to advance the education and skills of veterans including, for example, the Post-9/11 GI Bill, which provides up to 36 months of education benefits. The U.S. Department of Veterans Affairs also offers other education and training benefits to qualifying reservists, veterans, and in some cases their survivors and dependents. These include, but are not limited to, the Montgomery GI Bill and the John David Fry Scholarship. More information about these benefits is available at:

http://www.benefits.va.gov/gibill/handouts_forms.asp



Military Tuition Assistance

Service members in the U.S. Armed Forces have access to tuition assistance to help finance their educational pursuits during their military service. Military tuition assistance can reduce the financial burden of higher education considerably, paying up to 100 percent of tuition expenses. Depending on the circumstances, the Post 9/11 GI Bill may be used to supplement fees not covered by tuition assistance.

Each service branch manages the tuition assistance program for its service members and has its own application process. Tuition assistance payments are made by the service branch directly to the institution. Service members interested in taking advantage of military tuition assistance should begin by talking with an education counselor at either their local installation education office or online through a virtual education center. More information is available at:

http://www.benefits.va.gov/gibill/education_programs.asp





In-State Tuition

Under state law (RCW 28B.15.621), resident tuition may be granted at Washington's public universities and colleges to any of the following individuals under the following circumstances:

- A military service member who is on active duty and stationed in the state or who is a member of the Washington National Guard.
- A military service member (or spouse or dependent) who is either on active duty or a member of the National Guard, and who entered service as a Washington resident and maintains the state as a domicile, even if not stationed in the state.
- A former military service member (or spouse or dependent), so long as the service member had any period of honorable service after at least 90 days of active duty service, is eligible for Post-9/11 GI Bill educational assistance, and enters a university or college within three years of separation from the military.

State law also permits state community and technical colleges and universities to waive all or a portion of tuition and fees for eligible veterans and military service members. Each institution operates its own waiver program. Contact the specific college or university with questions or to get more information about how to apply for a tuition waiver.

Special Considerations

The "90-10" Rule

Military service members and veterans are frequently the targets of aggressive recruiting, particularly by for-profit colleges. Under federal law, for-profit colleges must receive no more than 90 percent of their operating revenue from federal student loans and grants. This is the so-called "90-10" rule. However, military and veteran education benefits are not included in this 90 percent calculation.

The Department of Veterans Affairs is on record as being concerned that some for-profit institutions aggressively target military service members and veterans almost exclusively for these financial reasons.

Aggressive recruiting practices due to the "90-10" rule does not necessarily mean you should never consider attending a for-profit college. However, you should be aware of this practice when evaluating your educational options.



Choosing a School

As mentioned in an earlier chapter of this guide, there are many factors to consider as you select a school, including academic and financial considerations. One factor specific to service members and veterans is the school's commitment to help and support them. The Department of Veterans Affairs produces a guide "Factors to Consider When Choosing a School," as well as a "GI Bill Comparison Tool" for researching schools. Both of these resources are available at:

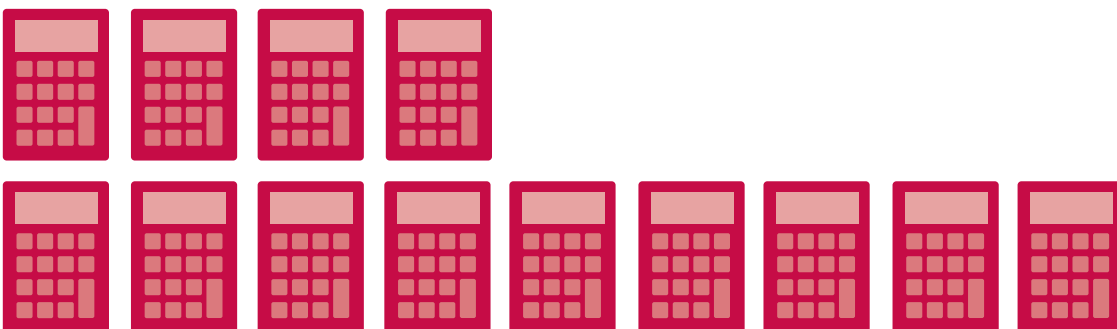
www.benefits.va.gov/gibill/choosing_a_school.asp

The Federal Trade Commission also has a "Choosing a College" publication with some specific guidance for military service members and veterans. It is available at:

<https://www.consumer.ftc.gov/articles/0395-choosing-college-questions-ask>

Credit for Military Training

Under Washington state law (RCW 28B.10.057), each institution of higher education in our state must have a policy to award academic credit for military training applicable to the student's certificate or degree requirements. Service members and veterans should contact prospective schools to learn about their particular policy. You can keep your education costs down by making sure you get full academic credit for any qualifying military training.





Repayment

Servicemembers Civil Relief Act Interest Rate Reduction

Under the federal Servicemembers Civil Relief Act (SCRA), military service members currently serving on active duty are eligible to have the interest rate on all student loans taken out prior to active duty lowered to six percent. This benefit applies to both federal direct loans and private student loans. It is available for all active duty service members, regardless of where they serve.

To obtain an interest rate reduction under the SCRA, you need to send a written request to your student loan servicer along with a copy of your active duty orders.

Warning for Active Duty Service Members Considering Loan Consolidation:

The SCRA's provision allowing interest rate reduction only applies to federal and private student loans taken out prior to the start of your service. If you consolidate your loans while serving in the military, you will lose the ability to qualify for this benefit.



Military and Post-Active Duty Deferments

While you may be able to postpone student loan payments through deferment or forbearance while serving in the military on active duty, the federal Consumer Financial Protection Bureau cautions service members to be careful. Such options can make paying back your loans more expensive in the long run because the interest on the loans can continue to grow during the deferment period. In addition, service members may be missing out on other potential benefits, such as Public Service Loan Forgiveness. More information about Public Service Loan Forgiveness and other potential benefits is available in the [loan forgiveness chapter](#) of this guide.

More information about factors to consider before accepting a deferment or forbearance is available at <http://www.consumerfinance.gov/askcfpb/1929/i-found-out-that-i-can-get-a-student-loan-deferment-or-forbearance-while-i-serve-in-the-military-volunteer-in-the-peace-corps.html>

Additional resources are available at:

- <https://studentaid.ed.gov/sa/types/grants-scholarships/military>
- <http://www.ed.gov/veterans-and-military-families/information>



WHAT DO I NEED TO KNOW TO BEGIN REPAYMENT?

After you graduate or leave school, you will need to begin repaying loans you borrowed to pay for your education.

The more information you have about your loans, the easier it will be to understand your repayment options. You first need to know whether you have federal loans, private loans or both.

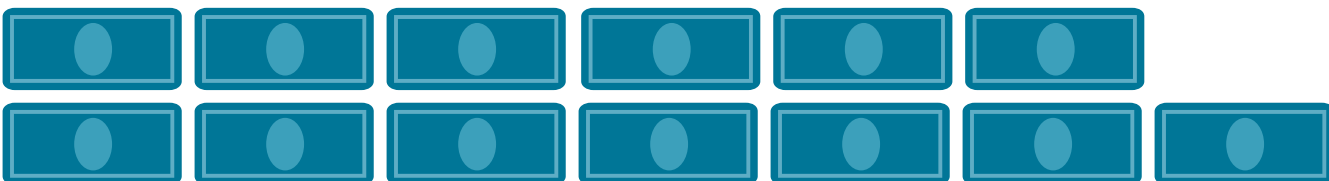
What Do I Need to Know to Repay My Federal Loans?

There are several types of federal loans. The type of loan you have can affect your repayment options. If you are unsure what type of loan you have:

- You can consult the National Student Loan Data System (NSLDS) at:
www.nsls.ed.gov
- You can speak with counselors at the Federal Student Aid Information Center by calling 1-800-4-FED-AID.
- You can contact the Direct Loan Service Center at 1-800-848-0979 if you are a Direct Loan borrower. If your federal loan was made after June 2010, your loan is a Direct Loan.

The Consumer Financial Protection Bureau (CFPB) provides information about repayment on its website here:

<http://www.consumerfinance.gov/paying-for-college/repay-student-debt>



What is a Loan Servicer?

Loan servicers work with borrowers to coordinate the repayment of loans. This includes sending statements and bills, receiving payments, and other communications with borrowers.

Federal Loan Servicing

If you have one or more federal loans, you will work with a student loan servicer to make your payments.

The U.S. Department of Education contracts with loan servicers to coordinate the repayment of federal student loans. You can find out who your servicer is by accessing the National Student Loan Data System (NSLDS) at www.nslds.ed.gov or by calling 1-800-4-FED-AID.

Your servicer must provide you with information about repayment plan options and help you decide which option works best for you. Servicers must also provide guidance about your options if you are having difficulty making payments.

Your loans may be transferred to a new servicer during repayment. If this happens, you will need to re-register to receive statements, bills, and correspondence and to make payments electronically. You should not need to reapply for deferments, forbearances, or other programs. A *deferment* is a period of time during which the repayment of both the principal and interest of your loan is temporarily delayed. More information about deferments and forbearances is available in the next section of this guide.

If you have trouble with a federal loan servicer, you can contact the U.S. Department of Education's Federal Student Aid Ombudsman Group. The Ombudsman Group is a neutral, informal, and confidential resource to help resolve disputes about your federal student loans. More information is available at:

<https://studentaid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman>

Private Loan Servicing

If you have private loans, in some cases your lender will also service your loans. In other cases, a lender will contract with a loan servicer. Private loans generally have less flexible repayment options than federal loans. Your options are limited by the terms of the promissory note, the document you signed when you took out the loan.



What Are the Repayment Plan Options for My Federal Loans?

Standard Repayment Plan

All federal loan borrowers are automatically enrolled in the Standard Repayment Plan if they do not select another payment plan. This is not dependent on the type of federal loan you have.

Under the Standard Repayment Plan, monthly payments are a fixed amount of at least \$50 each month. The repayment period is generally up to 10 years. If you have a Consolidation Loan, which allows borrowers to combine several federal education loans into a single loan, the repayment period may be longer.

More information on federal student loan repayment options is available at:
<https://studentaid.ed.gov/sa/repay-loans/understand/plans/standard>

Graduated Repayment Plan

If you choose the Graduated Repayment Plan, your monthly payments will begin at a low amount and increase every two years. This plan assumes that your earnings will increase over time. Your payments track your expected income growth. The loan term can be up to 10 years, or longer for Consolidation Loans. Monthly payment amounts are never less than the amount of interest that accrues on your loan between payments. All types of Federal loans are eligible for the Graduated Repayment Plan.

More information is available at:

<https://studentaid.ed.gov/sa/repay-loans/understand/plans/graduated>

Extended Repayment Plan

Borrowers with federal loans, including principal and interest, greater than \$30,000 are eligible for the Extended Repayment Plan. This plan allows lower monthly payments over a longer period of time, up to a maximum of 25 years.

Payments may either be fixed or graduated amounts. With this plan, payments are generally lower than under the Standard or Graduated Repayment Plans. Because the repayment period is extended, you will pay more in interest over the life of the loan.

All types of federal loans with qualifying amounts are eligible for the Extended Repayment Plan. More information is available at:

<https://studentaid.ed.gov/sa/repay-loans/understand/plans/extended>

Income Driven Repayment Plans

There are four different Income Driven Repayment Plans. These share many of the same features.

- Revised Pay As You Earn Repayment Plan (REPAYE Plan)
- Pay As You Earn Repayment Plan (PAYE Plan) (Available only for Direct Loan Borrowers)
- Income-Based Repayment Plan (IBR Plan)
- Income-Contingent Repayment Plan (ICR Plan)

These repayment plans all generally limit the amount of your monthly payment to a percentage of your discretionary income. The percentage of income is different under each plan. The amount of interest you will pay with an income-driven plan is likely greater than what you would pay under the Standard Repayment Plan. However, because the payments are dependent on your income, monthly payments may be more manageable. All of these plans provide debt forgiveness after a certain number of years.

Your servicer can tell you which of these programs applies to you and your loan.

Depending on your circumstances, you may be eligible for a \$0 monthly payment with an Income Driven Repayment Plan. This is an alternative to deferment or forbearance, which can allow you to avoid delinquency and default if you are unable to make payments under another plan.

If you are seeking Public Service Loan Forgiveness, you should repay your federal loans under an income-driven plan. Only Direct Loan Borrowers are eligible for Public Service Loan Forgiveness. If you have loans made through the Federal Family Education Loan (FFEL) Program, you may be able to consolidate your federal loans into a Direct Loan to qualify. More information about Public Service Loan forgiveness is in the [loan forgiveness chapter](#) of this guide.

To repay your federal student loan debt under an income-driven plan, you will need to submit an application at the following website:

<https://studentloans.gov/myDirectLoan/redirect.action?app=idr&from=15SPRRPMT&id=500#>

More information is available at:

<https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven>

Discretionary income is the difference between your income and 150 percent of the federal poverty guideline for your family size and state of residence.



Income Sensitive Repayment Plan

The Income Sensitive Repayment Plan allows your monthly payments to increase or decrease based on your annual income. The maximum repayment period is ten years.

Only federal loans made through the Federal Family Education Loan (FFEL) Program are eligible for the Income Sensitive Repayment Plan. Federal loans made after June 2010 are Direct Loans and are not eligible for the Income Sensitive Repayment Plan. These loans are eligible for Income Driven Repayment Plans, described on the previous page. More information about the Income Sensitive Repayment Plan is available at:

<https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-sensitive>



What Are the Repayment Options for My Private Loans?

Private student loans are loans not made or guaranteed by the federal government. They can be made by banks, credit unions, state agencies or colleges or universities, and may be called “alternative” or “institutional” loans.

Private lenders are not required to provide flexible or affordable repayment options, although some lenders may. Your private student loan contract contains information about your rights as a borrower and the promissory note contains information about your obligations. Your lender or servicer should provide information about repayment options available to you.

If you are having trouble with servicers of either federal or private student loan debt, contact the Consumer Financial Protection Bureau (CFPB). The CFPB provides information about repayment on its website at:

<http://www.consumerfinance.gov/paying-for-college/repay-student-debt>

and accepts student loan complaints here:

<https://help.consumerfinance.gov/app/studentloan/ask>

How Can I Avoid Scams?

Understanding your options for repaying your student loans may be confusing. Knowing where to turn for trustworthy information can be difficult, especially if you are having trouble making payments. There are bad actors who seek to profit from the confusion by advertising refinancing or consolidation services. They charge fees for their services and may be very expensive. However, answers to your questions and assistance are always available free of charge. You should never have to pay for forms, and you should never make payments to your loan servicer through a third party. Always make your payments directly to a loan servicer.

Signs of an education or student loan scam:

- Guarantee of lower payment
- Guarantee of debt forgiveness
- Promise of prequalification before you provide any information
- Charge for forms
- Transaction fees

If you have questions, consult the [resources listed at the end of this guide](#).

WHAT SHOULD I DO IF I HAVE TROUBLE WITH REPAYMENT?

If you are having trouble making your student loan payments, your options depend on the type of loan you have. For more information about the type of loan you have:

- Access the National Student Loan Data System (NSLDS) to help you find out what federal loans you have at: www.nsls.ed.gov.
- Speak with counselors who can help you, by calling the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).
- Contact the Direct Loan Service Center for information about your Direct Loan by calling 1-800-848-0979. If your federal loan was granted after June 2010, your loan is a Direct Loan.

For all types of loans, **contact your loan servicer immediately if you are unable to make payments**. They must provide information to you about the repayment options that best fit your financial situation. Do not stop making payments on your student loan until you have another plan in place. If you stop making payments, you will become delinquent and your loan may be placed into default. The long term effects of becoming delinquent and defaulting may include your loan being sent to collections and a diminished credit score.

Federal Loans

Contact your loan servicer as soon as you begin having difficulty making payments. You should first explore changing your repayment plan to another plan that allows you to make lower monthly payments. Depending on your circumstances, you could be eligible for monthly payments of \$0.

If difficulty making payments is a temporary situation, you may be eligible for a deferment or forbearance. This chapter contains more information about these options.

Private Loans

If you have trouble making payments on a private loan, contact your loan servicer immediately. Your rights and responsibilities, as well as any flexible repayment options that may be available, are in the promissory note.

Deferment

A *deferment* is a period of time during which the repayment of both the principal and interest of your loan is temporarily delayed. The government may pay the interest for you during a period of deferment depending on the type of federal loan. If interest continues to accrue during deferment and you do not pay the interest, it may be added to your principal balance—this is called capitalization—which will increase the amount you owe and must repay.

After repayment has begun, deferment may be based on unemployment, economic hardship or a period of active duty military service. Additional details about eligibility are available on the U.S. Department of Education's website at:

<https://studentaid.ed.gov/sa/repay-loans/deferment-forbearance>

To obtain a deferment, you will probably need to submit a request to your loan servicer. Your servicer should be able to provide you with more information about your eligibility and whether an income driven or income sensitive plan would be better for you.





Forbearance

If you do not qualify for a deferment, you may be able to work with your loan servicer to receive a *forbearance*. In this situation, interest will continue to accrue, but you may be able to stop making payments or lower your payment amount for up to twelve months. The interest on your loan during forbearance must be paid or it may be capitalized.

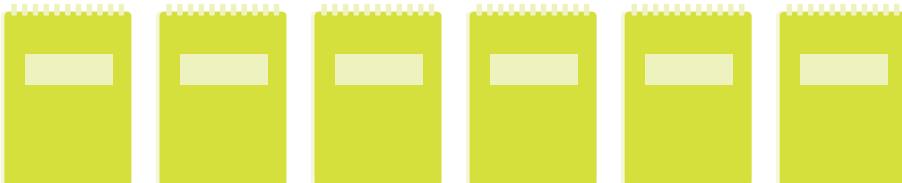
If you are facing financial hardship or illness, your servicer makes the decision whether to grant forbearance or not. This is called a discretionary forbearance.

Under certain circumstances, your lender is required to grant a forbearance. These circumstances include:

- Your total monthly student loan payments add up to 20 percent or more of your total monthly income.
- You are a teacher, and your service qualifies for Teacher Loan Forgiveness.
- You qualify for partial repayment of your loans under the U.S. Department of Defense Student Loan Repayment Program.
- You are in a National Service Position for which you received a National Service Award.
- You are a National Guard member and have been activated by a governor and you are not eligible for a military deferment.
- You are serving in a medical or dental internship or residency program and meet certain requirements.

There may be additional requirements or conditions that must be met before you are eligible for a forbearance. You must make a request to your loan servicer, who may ask for supporting documentation.

If you have difficulties working with your loan servicer, additional resources about your options and filing a complaint are available in [resources listed at the end of this guide](#).





Consolidation

A Direct Consolidation Loan allows you to combine multiple federal education loans into one loan. There is no application fee when you apply to consolidate your loans. If someone offers to consolidate your loans for a fee, they are not one of the U.S. Department of Education's consolidation servicers. Beware of these types of scams.

In some cases, consolidation lowers your monthly payments, while in other instances it may extend the amount of time to repay your loans, resulting in paying more interest over the life of your loans.

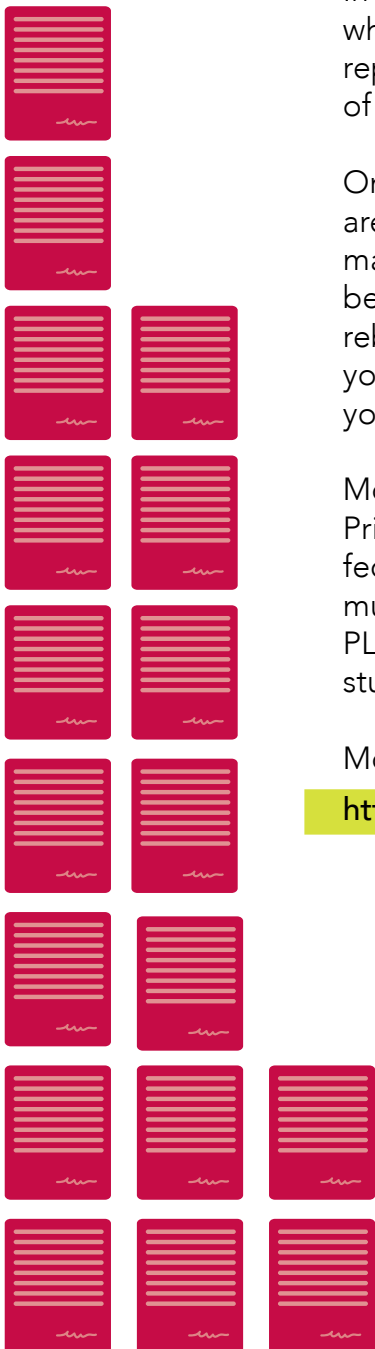
Once your loans are consolidated, your smaller individual loans are paid off, and you will have one new loan. This new loan may have a different interest rate, and you may lose borrower benefits associated with the original loans, such as principal rebates or loan cancellation benefits. Before you consolidate your federal loans, be sure to understand the rights or benefits you may be giving up under the terms of your new loan.

Most federal student loans are eligible for consolidation. Private loans are not eligible for consolidation through the federal government. If you are in default on federal loans, you must meet certain requirements before consolidation can occur. PLUS loans made to a parent cannot be transferred to the student, including through consolidation.

More information on Direct Consolidation Loans is available at:

<https://studentaid.ed.gov/sa/repay-loans/consolidation>

You may also be able to consolidate your loans, including federal loans, into a single private loan. Be aware that if you do this you will lose the flexible repayment options and borrower protections associated with federal loans.



Default

Your loan will be placed in default if you fail to make payments according to the terms you agreed to when the loan was approved. Those terms are in the promissory note. For most federal student loans, you will be placed in default if you have not made a payment in more than 270 days, or about nine months. For private loans, you may be in default as soon as you miss a single payment.

There can be serious legal consequences to default. These consequences may include debt collection, garnished wages, and negative impacts on your credit report.

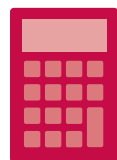
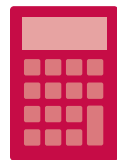
Bankruptcy

It is very difficult for student loans to be discharged in bankruptcy. To do so, you must demonstrate that the payment of the debt “will impose an undue hardship on you and your dependents.”

Filing for bankruptcy automatically protects you from collection actions on your debts until the bankruptcy case is resolved or the creditor receives permission from the court to resume collections. An attorney can help you understand your options and the consequences, positive and negative, of bankruptcy.

How Can I Avoid Scams?

Many student loan borrowers having trouble making their payments are not sure where to turn. Unscrupulous businesses seek to take advantage of this uncertainty and prey upon borrowers looking for relief. These businesses charge a fee for assistance with refinancing or consolidation. However, assistance is available at no cost. If you have questions, consult the resources listed in this guide, including the [compiled list at the end](#), before you use one of these services.



WHAT OPTIONS DO I HAVE FOR LOAN FORGIVENESS?

Student loan forgiveness can also be called cancellation or discharge. These terms mean that you are released from the responsibility to repay your student loan. This is only possible under a limited number of circumstances.

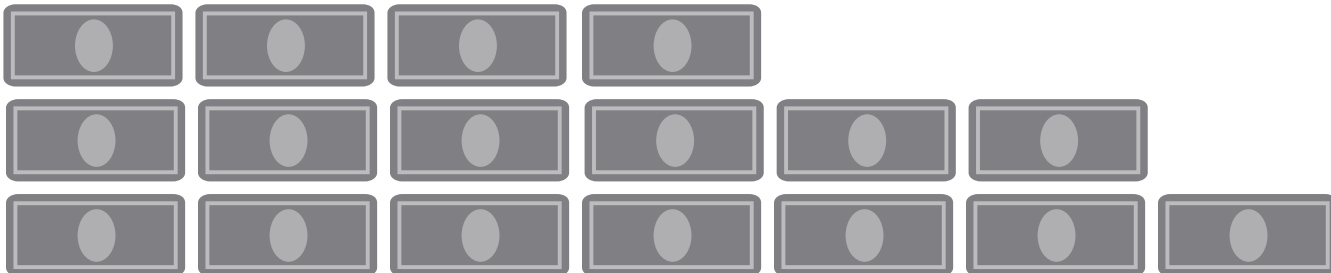
The options that follow in this chapter apply only to federal loans.

Additional information about all of the options in this chapter is available at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation>

In many cases, your servicer can provide information about your eligibility for a specific forgiveness, cancellation, or discharge program.

Private lenders are not required to provide forgiveness, cancellation or discharge for student loans. Some lenders may offer these options, but you will need to contact the lender to determine whether any of these options are available to you. A civil legal aid provider listed at the end of this guide may also be able to provide assistance.



When Can My Federal Loans be Discharged?

Closed School Discharge

You may be eligible for a complete discharge of your federal loans if:

- Your school closes while you are enrolled;
- You are unable to complete your program because of the school's closure; or
- Your school closes within 120 days after you withdraw.

If you transfer your credits to complete a comparable educational program at another school, you are not eligible for the closed school discharge.

Your loan servicer can provide information about the application process for getting your loan discharged. You should continue to make payments while your application is being considered.

More information about the Closed School Discharge is available at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/closed-school>

Borrower Defense Discharge

Students may be eligible for a Borrower Defense Discharge if they attended a school that did not meet its legal obligations, such as misrepresenting job placement rates or default rates. Borrowers interested in seeking this discharge can find more information at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/borrower-defense>



Total and Permanent Disability Discharge

If you become totally and permanently disabled, you can seek discharge of your federal loans. To receive this discharge, you must demonstrate that you are totally and permanently disabled. More information is available at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#disability>

Death Discharge

Federal loans will be discharged if the borrower dies. Parent PLUS loans may be discharged if the parent, the student, or both pass away. A certified copy of the death certificate must be provided to the school for discharge of a Perkins Loan or to the loan servicer for discharge of a Direct Loan or FFEL Program loan. Additional information can be found at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#death-discharge>

Discharge in Bankruptcy

It is extremely difficult to discharge student loan debt in bankruptcy. To do so, you must prove to a bankruptcy court that repaying your loan would cause "undue hardship." A bankruptcy court will determine whether your loans can be discharged, using this three-part test:

- If you are forced to repay the loan, you would not be able to maintain a minimal standard of living;
- The hardship will continue for a significant portion of the loan repayment period; and
- You made good-faith efforts to repay the loan before filing for bankruptcy (generally for at least five years).

You can learn more about discharge in bankruptcy at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#bankruptcy>



False Certification of Student Eligibility or Unauthorized Payment Discharge

Under any of the following circumstances, you may be eligible for a discharge of your federal loan:

- Your school falsely certified your eligibility to receive the loan based on your ability to benefit from its training, and you did not meet the ability to benefit student eligibility requirements.
- Your school signed your name on the application or promissory note without your authorization or the school endorsed your loan check or signed your authorization for electronic funds transfer without your knowledge, unless the proceeds of the loan were delivered to you or applied to charges owed by you to the school.
- Your loan was falsely certified because you were a victim of identity theft.
- The school incorrectly certified your eligibility even though you were not qualified for employment in the occupation in which you were trained because of a physical or mental condition, age, criminal record or other reason.

Additional information is available at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#false-certification>

Unpaid Refund Discharge

This is only a partial discharge. If you withdrew from school before completing the entire course load, you may not need to repay the full amount of the loan. You can learn more at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#unpaid-refund>

Teacher Loan Forgiveness

If you have been teaching full time at a qualifying elementary or secondary school for five consecutive years, you may be eligible to have up to \$17,500 of your federal loans forgiven. PLUS loans are not eligible for this program. More information about Teacher Loan Forgiveness can be found at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#teacher>

Public Service Loan Forgiveness

If you are employed in a qualifying public service job, the balance of your federal loans may be forgiven after you make 120 qualifying payments on your federal Direct Loans. Payments must be made under certain repayment plans to qualify. Additional information is available at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#public-service>

Perkins Loan Cancellation and Discharge

If you perform certain types of public service or work in certain occupations, you may be eligible for forgiveness of your Perkins Loans. Each year of service may result in the cancellation of a percentage of the loan. The following types of work may be eligible:

- Volunteer in the Peace Corps or ACTION program (including VISTA)
- Teacher
- Member of the U.S. Armed Forces serving in an area of hostilities
- Nurse or medical technician
- Law enforcement or corrections officer
- Head Start worker
- Child or family services worker
- Professional provider of early intervention services

To determine your eligibility, contact the school you attended when you received the loan. You can learn more about Perkins Loan Cancellation and Discharge at:

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#perkins>

WHAT SHOULD I KNOW ABOUT DEBT COLLECTION?


Federal Loans

Your loan will be placed in default if you fail to make payments according to the terms you agreed to in the promissory note. If you default on a federal student loan, the balance, including both the principal and interest, may become due in a single payment. If this happens, your loan may be placed with a collection agency and the agency will contact you to collect payment. In this case, you are responsible for the costs incurred to collect payment.

There is no statute of limitations on the collection of outstanding federal student loans. This means the government can pursue collection at any time on a defaulted loan.

The federal government has broader authority than private lenders to collect student debt. The federal government can withhold money from your income tax refunds, Social Security payments and other federal payments. The government can also order your employer to withhold up to 15 percent of your take home pay to collect on the debt. This can be done without a court judgment. This withholding, called *garnishment*, continues until your defaulted loan is paid in full or removed from default.





If you are in default and are contacted by a debt collector about your federal student loans and cannot repay the full amount due, you have two options:

- **Rehabilitation:** This means that you begin making payments on your loan. After you make a certain number (generally nine payments in 10 months) of reasonable and affordable payments, your loan will be taken out of default status, and the default notification will be removed from your credit history. Importantly, garnishments do not count as payments made. You can only rehabilitate a loan once.
- **Consolidation:** This means that your defaulted loan or loans are paid off in full by a new loan with new repayment terms. This is the fastest way to get your loan out of default if you can't afford to pay off the entire amount. You will no longer be listed as currently in default and no longer subject to garnishment or other collection efforts. With a consolidated loan, you can enroll in one of the Department of Education's alternative repayment plans. Borrowers who want to consolidate must apply through www.studentloans.gov. If you choose consolidation, you must consolidate federal loans with a Federal Direct Consolidation Loan to retain the consumer protections of federal loans. Be cautious about consolidating federal loans into a new private loan.

More information about both of these options is available at:

<https://studentaid.ed.gov/sa/repay-loans/default/get-out#loan-rehab>

Private Loans

There is a time limit on private student loan collections. In Washington state, collectors are not allowed to sue to collect on a private debt more than six years after the point of default. However, they can still continue to pursue collection, and if you make a payment, the time limit is removed. The point of default will be defined in the contract. For example, it might be missing a payment, or it could be being more than 90 days late on a payment.

Private lenders have fewer collection tools than the federal government. Private lenders do not have the power to seize money from tax refunds or government payments, and are not able to garnish wages without a court order. The most powerful collection tool available to most private student lenders is a lawsuit against the person in default, which can have significant consequences for the borrower.

If you are facing collection or legal action, consult the legal aid resources listed at the end of this guide.

Collection Agencies

The U.S. Department of Education and private lenders both hire collection agencies to collect defaulted student loans. Debt collectors must follow the applicable laws: the federal Fair Debt Collection Practices Act and Washington's Collection Agency Act.

In the first communication with you, a debt collector must disclose that they are attempting to collect a debt and that any information obtained will be used for that purpose. Any additional communications must also disclose that the communication is from a debt collector.

It can be very difficult to determine whether someone is legitimately collecting on a debt. A list of the debt collectors that the U.S. Department of Education contracts with to collect federal loans is available at:

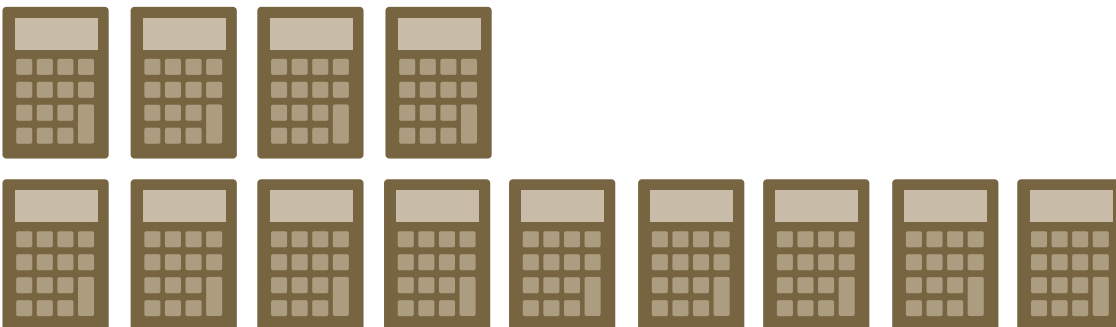
https://www.myeddebt.ed.gov/borrower/myoptions_collectionAgencies

What Should I Do if I Don't Think I Owe the Debt?

Within five days of initial communication, a debt collector is required to provide information about their right to validate the debt. If you believe for any reason that you do not owe the debt, you have 30 days to dispute the validity of the debt. The collector cannot pursue collection until verification of the debt is obtained.

If you are contacted about a federal student loan that you believe you did not borrow, check the National Student Loan Data System at www.nslds.ed.gov. If the loan is not listed there, let the collector know. In some cases, this could be a sign of identity theft. For resources about identity theft, visit:

www.identitytheft.gov



What Are My Rights if My Loan Goes to Collections?

Whether you hold a federal or private student loan, the law protects you from abusive and harassing debt collection tactics.

There are limits on who a debt collector may contact to collect on debt that you owe. A debt collector cannot contact your coworkers, neighbors, boss or commanding officer. You may request that they do not contact your place of employment.

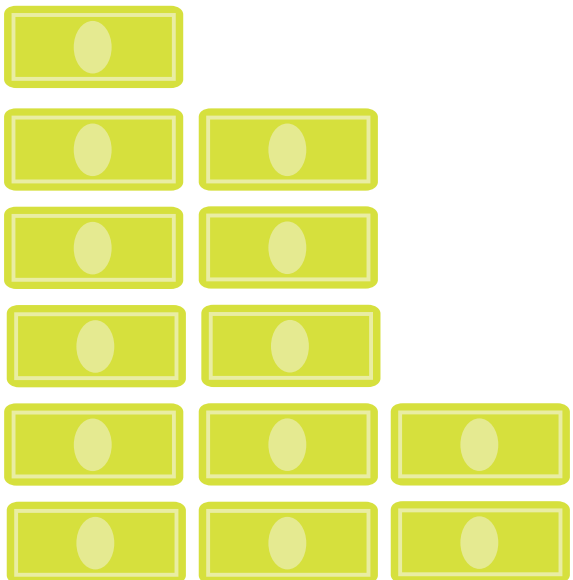
By law a collector may only contact you after 8:00 a.m. and before 9:00 p.m.

Debt collectors are legally prohibited from harassing you. This means they may not use offensive language, refuse to disclose their identity, threaten or intimidate you, or call repeatedly. The U.S Federal Trade Commission (FTC) has an online guide on debt collection available at:

<https://www.consumer.ftc.gov/articles/0149-debt-collection>

The law also prohibits debt collectors from providing false information about the amount or status of the debt. They cannot threaten to take any action that is illegal, such as arrest or foreclosing on your house.

If you have been contacted by a debt collector who does not seem to be following the law, you can contact the **Consumer Financial Protection Bureau**, the **Federal Trade Commission** or the **Attorney General's Office** to file a complaint. Contact information is in the [resource list](#) at the end of this guide.



How Can I Avoid Scams?

Debt collection scams are a common problem for consumers. If you have been contacted by someone claiming to be a debt collector, but you feel their behavior and actions might not be appropriate or legal, you are not sure if they are a legitimate debt collector, or you are not sure whether you owe the debt they contacted you about, please consult the resources in this guide, including the [compiled list at the end](#).

GLOSSARY

Accreditation

Accreditation is a standard of acceptable educational quality, and is measured by accrediting agencies. Accreditation is important when selecting a school. Federal grants and loans are not available to students who attend non-accredited schools. For some professions, you will not be able to get a license to work if you attended a non-accredited program.

Capitalization

Capitalization is when unpaid interest is added to the principal balance of a loan. Ordinarily, you pay interest only on the principal of your loan, not on the unpaid interest. When capitalization adds unpaid interest to the principal, the principal increases and you pay interest on a higher sum, resulting in higher interest payments. Capitalization may happen at the end of the grace period or a period of deferment or forbearance.

Collection agency

A business that recovers unpaid debt from borrowers who have defaulted on loans.

Consolidation

Consolidation occurs when one new federal loan is taken out to pay off two or more existing federal loans, leaving only the Consolidation Loan to repay.

Credit

Any type of loan, including a student loan, car loan, or credit card. All credit must be repaid.

Credit history

The record of your repayment of debts and bills. A credit report details your credit history, including information from banks, credit card companies, collection agencies, and governments.

Credit score

A number used by lenders to determine whether to lend you money, and the interest rate you will pay. Your credit score is calculated using your credit history. A high credit score demonstrates that you are a safe person to lend to, and results in low interest rates. A low credit score can make it very difficult to receive credit, get a job, or rent a house. Your credit score follows you throughout your life. It can change depending on your financial circumstances and practices.

Default

The status of your loan when you did not make payments as agreed to in the promissory note, the document that you signed when you took out your loan. In most cases, you will default on your federal loans if you have not made a payment in more than 270 days. Default on private loans can occur as soon as you miss a payment. Default can cause serious legal consequences.

Deferment

A period of time during which the repayment of your loan is temporarily delayed. In certain circumstances, such as enrollment in a higher education program, unemployment, or military service, you may automatically qualify for deferment. For certain types of loans, the federal government will pay interest while the loan is deferred.

Delinquent

The status of your loan as soon as you miss a payment. This status continues until you make payments to bring your loan current, or the loan goes into default.

Discharge

Release from the obligation to repay your loan. This is generally granted only under limited circumstances, such as death or disability. It can also be called cancellation or forgiveness.

Garnishment

An action taken to seize money or property from a borrower to satisfy a debt. This action is not taken until the loan is in default and has been sent to debt collection. Default on federal loans can result in wage, benefit, and tax refund garnishment without a court order. For private loans, the lender must sue you and obtain a judgment before it can seize money from your wages or bank account.

Grant

Financial aid that generally does not need to be repaid, and is usually based on need.

Financial aid

A broad term for all types of funds used to pay for your education, including scholarships, work study programs, grants, loans, and other funds.

Forbearance

A period during which your loan payments are temporarily suspended or monthly payments are reduced for up to a year if you are unable to make payments and you meet certain qualifications. Interest will continue to accrue on your loans during this time.

Interest

The cost you pay to borrow money. Interest is generally listed as an annual percentage rate, or APR. Interest rates can be fixed or variable. Fixed interest rates will not change. A variable interest rate may change over time, usually in response to changes in a separate benchmark, or “index,” rate.

Principal

The amount of money you receive from the lender when you take out a loan. This is the amount on which you pay interest. It may increase if interest, costs or fees are later “capitalized,” or added to the principal.

Promissory note

The legal document you are required to sign when you take out a loan. It contains the terms and conditions you agree to and information about your rights and responsibilities. For some loan programs, you may sign a “Master Promissory Note” that covers all the years you are in school, rather than signing a new promissory note each year.

Rehabilitation

Rehabilitation is one method to get a federal student loan out of default. To rehabilitate a defaulted federal student loan, you must be eligible and agree to make 9 monthly payments, each within 20 days of the due date, and during a period of 10 consecutive months.

Savings

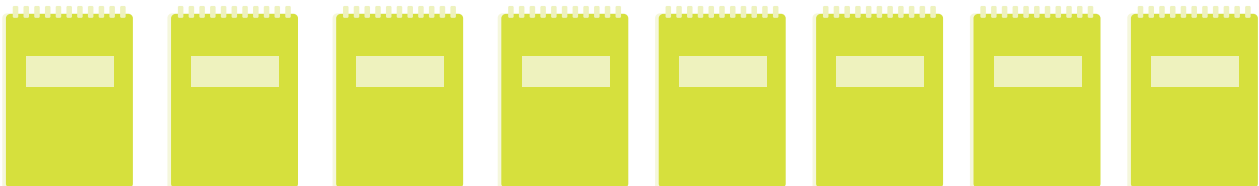
Money you have saved. This includes money in a basic savings account or in a fund dedicated to paying for higher education costs, such as a 529 or Guaranteed Education Tuition (GET) account.

Scholarship

Funds used to pay for education that do not need to be repaid. Scholarships are often merit- or achievement-based. They can be granted by federal, state, or local governments, schools, and private or non-profit organizations.

Servicer/Servicing

A loan servicer is a company that handles your loan unless and until it goes into default, including sending bills, processing payments, answering questions, and changing payment plans. The actions that a servicer takes to handle your account are called servicing.



RESOURCES FOR STUDENT LOAN BORROWERS

Federal Agencies

U.S. Department of Education

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084
800-4-FED-AID (TTY: 800-730-8913)
www.StudentAid.gov

If you have a complaint with your lender that you are not able to resolve, contact the Federal Student Aid Ombudsman at 1-877-557-2575 or www.studentaid.gov/repay-loans/disputes/prepare

Consumer Financial Protection Bureau (CFPB)

P.O. Box 4503
Iowa City, IA 52244
855-411-CFPB (2372)
www.consumerfinance.gov

Submit a student loan complaint to the CFPB at:
<http://www.consumerfinance.gov/complaint/#student-loan>

Federal Trade Commission (FTC)

Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, D.C. 20580
www.ftc.gov

If you believe you have been contacted by or responded to a scam, file a complaint with the FTC at <https://www.ftccomplaintassistant.gov>

Washington State Agencies

Washington State Attorney General's Office

1125 Washington St. SE
P.O. Box 40100
Olympia, WA 98504

You can file a complaint at <http://www.atg.wa.gov/file-complaint#Online>.
Call the Attorney General's Office Consumer Resource Center at 1-800-551-4636 or 206-464-6684.

Washington State Department of Financial Institutions (DFI)

P.O. Box 41200
Olympia, WA 98504-1200
360-902-8700

You can file a complaint with DFI at <http://dfi.wa.gov/consumers/file-complaint>

Washington Student Achievement Council

917 Lakeridge Way SW
Olympia, WA 98502
360-753-7800

If you have a complaint about a specific school, the Washington Student Achievement Council may be able to assist you. Submit a complaint at: <http://wsac.wa.gov/student-complaints>

Workforce Training and Education Coordinating Board

128 10th Avenue SW
PO Box 43105
Olympia, WA 98504-3105
360-709-4600

The Workforce Training and Education Coordinating Board regulates non-degree granting institutions, or private career schools. You can submit a complaint at: http://wtb.wa.gov/PCS_Complaints.asp

Legal Aid Organizations

National Consumer Law Center (NCLC)

NCLC operates the website www.studentloanborrowerassistance.org which provides a tremendous amount of information for student loan borrowers at all stages of the loan cycle.

Northwest Justice Project (NJP)

Northwest Justice Project has offices across Washington State. You can contact them for assistance and legal advice by calling the free CLEAR intake line at 1-888-201-1014 or visit www.nwjustice.org

www.WashingtonLawHelp.org

This website is sponsored by several legal aid organizations. Information about student loans is available under the "Consumer & Debt" heading.

Northwest Consumer Law Center (NWCLC)

NWCLC offers legal help on student loan matters. Contact them at: <http://www.nwclc.org/contact-us/>
or by phone at 206-805-0989 or toll free at 888-978-3386. You can also send an email to: Admin@NWCLC.org



Washington State Office of the Attorney General
Bob Ferguson
1125 Washington St. SE
PO Box 40100
Olympia, WA 98504
(360) 753-6200
www.atg.wa.gov