

# STUDENT LOAN HANDBOOK



From the Office of the  
**Minnesota Attorney General**  
helping people afford their lives and live with dignity, safety, and respect

[www.ag.state.mn.us](http://www.ag.state.mn.us)

# Introduction

The cost of attending college has skyrocketed in recent decades at a rate outpacing inflation and increases in worker earnings. Many students and their families must borrow money to pay for college. Student loan debt in the United States now tops \$1.6 trillion, and student loan debt is the second largest form of consumer debt—second only to home mortgage debt. In Minnesota alone, over 775 thousand people owe a total of \$29.1 billion in student debt.

When students graduate, decent-paying jobs are not always available. As a result, many borrowers report difficulty in repaying their student loans, and loan servicers and debt collectors are not always easy to work with. This guide is a collection of information for students, graduates, parents, and anyone seeking to take out and repay student loans.

References to websites and publications appear at the back of the brochure. When references are provided, they are signaled or noted by a number throughout the text.

**This publication is intended to be used as a source for general information and is not provided as legal advice.**

The *Student Loan Handbook* is written and published by the Minnesota Attorney General's Office.

This document is available in alternative formats to individuals with disabilities by calling (651) 296-3353 (Twin Cities Calling Area), (800) 657-3787 (Outside the Twin Cities), or through the Minnesota Relay Service at (800) 627-3529.

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**Office of Minnesota Attorney General Keith Ellison**  
445 Minnesota Street, Suite 1400, St. Paul, MN 55101  
(651) 296-3353 (Twin Cities Calling Area)  
(800) 657-3787 (Outside the Twin Cities)  
(800) 627-3529 (Minnesota Relay)  
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A college education is a major investment. In this section you can learn about choosing a school and comparing the cost of attending various colleges. You can explore options for paying for your education. You can also find information about applying for financial aid such as scholarships, grants, and loans and tips on avoiding financial aid scams.

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There are a variety of student loan programs for students and their families. There are several *federal* loan programs. There are also *private* student loans available through banks and other financial institutions, states, or schools themselves. Federal loans are generally more affordable than private loans—but students often take out more costly private loans because they do not understand their federal loan options. The information in this section is for anyone who wants to understand the different types of loans that can help pay for a college education.

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In certain circumstances involving fraud on the part of your school, both federal and non-federal loans may be eligible for borrower defense to repayment. Fewer options are available for non-federal student loans. This section outlines these options and cautions against scam artists that falsely promise loan forgiveness.

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# Paying For and Selecting a College

A college education generally costs tens of thousands—sometimes even hundreds of thousands—of dollars. Figuring out how to pay such an expense is often difficult for families. Doing your homework and making smart decisions now, will mean fewer surprises and hardship later.



- Seek out other financial aid in addition to loans.
- Consider federal loans before private loans.
- **Watch out for scams!**

## Do Your Homework<sup>1</sup>

When thinking about college, you and your family should ask and research the answers to several important questions before you make a decision about whether and where to attend school. It is important that you strongly consider the following:

- Why do I want to go to college?
- What career<sup>2</sup> interests me?
- What kind of training or credentials do I need to pursue my career goals? A certificate or diploma? An associate's or bachelor's degree? A graduate degree?
- What type of school<sup>3</sup> will prepare me for that career? Technical school? Community college? A four-year college? A university? Does the school and program meet standards for me to pursue my career goals?
- Do I have the academic preparation<sup>4</sup> for the school and career I am considering? Do I have the time to commit to a degree program through to graduation?
- Do I understand the costs of the college I am considering, and have I compared it with other schools?

In considering these questions, you should consult with your family and others who support/support you. You can also talk with counselors that may be available at your high school. You can also consult with licensed professional or college counselors, including those who specialize in your desired career field.



## Know and Compare the Complete College Cost<sup>5</sup>

If you decide to attend school, it is important to determine the total program cost to attend the institutions that you are considering. You should research and consider the following:

- What is the total cost of the program through completion, including tuition, room and board, fees, books and supplies, transportation, and personal expenses?
- How will I be able to pay for my education? If I am taking out loans, how difficult will it be to repay that debt?
- How much will I plan to earn after I graduate? What are the chances that I get a job in my desired field if I complete my degree? What if I don't get a job in my desired field or at my desired level of earnings? Will this institution and program adequately prepare me for obtaining a job in your chosen field?

One of the biggest concerns you should have before deciding to attend college and choose a school is whether you have the time and resources to complete the program. Recent studies have shown that students who do not

complete their programs earn significantly less than graduates and may not financially benefit at all from their education. Competing work and life commitments can make completing a degree very challenging, and you should make sure that you, your family, and your employer have a plan and are committed to your completion of your program.

## Resources to Answer Questions

You should talk with a school's financial aid office about the cost of attendance. But you shouldn't only rely on a school to provide you information about the cost of attendance and your job and earnings prospect for after graduation. The Minnesota Attorney General's Office has received many complaints and has a lot of experience with schools that did not provide accurate and complete information to students and were more interested in profiting from the student's enrollment.

You can talk with your high school guidance counselor or other licensed career counselors. There are several tools online that prospective students can use to weigh the cost of school and the financial benefits of earning a degree. The federal Consumer Financial Protection Bureau, for example, has an online Financial Aid Shopping Sheet available at [www.consumerfinance.gov/paying-for-college/](http://www.consumerfinance.gov/paying-for-college/) to help you compare actual college costs and financial aid packages.

The U.S. Department of Education's website also features "the College Scorecard," which allows people to search for schools and learn about average costs, graduation rates, and graduates' earnings at each institution. The site compares those earnings to those with high school diplomas, which allows people to compare how much more they could make if they attend the school.

And another resource is the Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)), which tracks average wages for specific fields and occupations.

## Apply for Financial Aid<sup>6</sup>

In considering whether to attend school and where to attend, you should explore all your options for paying for college. A few of your options may include tax credits,<sup>7</sup> scholarships and grants,<sup>8</sup> work-study<sup>9</sup> or other employment, and savings. Most "grants," such as federal Pell Grants do not have to be paid back. Along with federal grants, states<sup>10</sup> and schools often provide their own grants as well. Talk to a school's financial aid department to discuss your options to obtain grants and scholarships.

An early eligibility estimator is available to help you plan ahead for paying for college. The U.S. Department of Education has prepared the Federal Student Aid Estimator to help you understand your options for paying for college. The Federal Student Aid Estimator may be found at <https://studentaid.gov/aid-estimator/>.

The first step to apply for financial aid is to fill out the Federal Application For Student Aid (FAFSA<sup>11</sup>). You must complete the FAFSA to be eligible for any federal student loans or grants. Many colleges and universities use the FAFSA to make their award determinations.

## Keep the Following in Mind

### If you accept student loans, be prudent.<sup>12</sup>

If you apply for financial aid, the school may suggest loans as part of your school's financial aid package. Remember that loans have to be paid back, with interest. Consider how the loan payments will affect your future finances, and how much you can afford to repay. Learn about your repayment options (discussed below) and consider how you would plan to repay your loans or work towards loan forgiveness.

### If you borrow, exhaust federal loan options first.<sup>13</sup>

There are two main types of student loans: (1) federal student loans; and (2) private or non-federal student loans. "Federal" student loans are made or guaranteed by the federal government, and follow federal standards and protections for the charging of interest and options for repayment. Since 2010, all federal loans have been issued to students directly by the U.S. Department of Education (called "federal direct loans"). "Private" student loans, on the other hand, are extended by banks and other private financial institutions and are not subject to the same federal guidelines and protections as federal loans.

**Federal student loans are usually a better deal than private student loans, which means you will most likely want to check out the federal programs first.**

For most borrowers, federal student loans are the best option. Federal loans, including Direct (subsidized and unsubsidized) and PLUS Loans, are usually cheaper than private loans, and generally have better repayment options and consumer protections. The interest rate for a federal student loan is fixed. The fixed rate will be helpful in predicting your payments after graduation. In some cases involving subsidized federal loans, the federal government will pay the interest on your loans while you are in school. And federal loans offer repayment programs like income-based repayment (discussed below) that work better for borrowers and allow the borrower to work towards cancellation of the debt after a certain number of payments. To learn more about the federal student loans that may be available to you, visit the federal student aid website on federal student loans at [www.studentaid.gov/understand-aid/types/loans/federal-vs-private](http://www.studentaid.gov/understand-aid/types/loans/federal-vs-private).

### Be cautious about taking private student loans.

Private student loans often have higher and variable interest rates, which means your interest rates and payments could go up and down over time. Private loans are usually more expensive than federal loans; rates have been as high as 16 percent in past years. Private lenders may require you to begin to pay back the loan while you are still in school, and often require a cosigner.<sup>14</sup> When it is time to repay, the repayment terms and consumer protections may not be as favorable as federal student loans. You can compare federal and private student loans at [www.studentaid.gov/understand-aid/types/loans/federal-vs-private](http://www.studentaid.gov/understand-aid/types/loans/federal-vs-private).

It may also be cause for concern if federal loans become unavailable to you and you are required to take out private student loans to finance and complete your education. Eligibility to take out federal student loans is not unlimited. As of 2022, undergraduates who are not dependents could borrow up to \$12,500 each academic year and \$57,000 during their lifetimes. So, if you learn that federal financial aid will not cover the cost of your education, it may be cause for concern that the program or school charges too much for tuition. Some private and for-profit institutions,

for example, charge up to five times as much for a degree than public or community colleges. If you will be required to take out expensive private loans to complete your education, you may want to consider whether that school is the best option for you.

## Cosigning A Loan

Most private student loans will require a cosigner. Cosigning someone else's loan means you agree to take full responsibility for the debt if the borrower can't or doesn't make the required loan payments. The loan will appear on the cosigner's credit report. In recent years, the Attorney General's Office has heard from graduates, parents, aunts and uncles, and friends and acquaintances who cosigned a student loan to help someone attend school, only to be hounded by debt collectors when the student can't afford to pay back the loan. For more information about cosigning loans, review the Minnesota Attorney General's Office flyer on *Cosigning A Loan*.<sup>14</sup>



### **Alert: Be Wary of Schools that Push Private Student Loans to Finance Your Education**

The Attorney General's Office has received many complaints from former students of private and for-profit colleges that had to take out costly private student loans. Borrowers report not knowing they would need to take out these loans, not knowing about the high interest rates, and not knowing how it would affect a co-signer. Borrowers also frequently did not know that they could have attended other, quality schools that would not have required them to take out additional private debt. Many borrowers report that they cannot afford to repay these loans and are still burdened with such debt 10 and 20 years later, without any ability to pay down the principal. Make sure that you plan how you will pay for the entirety of your education. And beware of any school or program that will require you to take out private student loans.

## For-Profit Colleges

A degree or certificate at a for-profit college can be considerably more expensive than at a comparable public or community college. If you are thinking of enrolling in a for-profit college, do your homework. Check the school's graduation rates, job placement rates, future earning potential, and whether the school and program's accreditation is recognized. Before you enroll in a for-profit college, review the Minnesota Attorney General's Office flyer entitled *For-Profit Colleges: Do Your Homework*<sup>15</sup> for more information. Do not just rely on a school's admissions staff to give you the information you need to make a decision. And be wary of any admissions staff or recruiter that makes you feel undue urgency in making an enrollment decision, makes promises of employment after graduation, or otherwise aggressively pushes you to enroll.



### **Beware of Financial Aid Scams!**

As you research paying for college, you may see offers to help you file your FAFSA application for a fee, or companies that guarantee scholarship money. FAFSA has only one site for filing (<https://studentaid.gov/h/apply-for-aid/fafsa>), and there is no fee. The FAFSA website provides instructions, and most schools and colleges will offer advice free of charge if you run into problems. If you are asked for credit card information while filling out the FAFSA online, you are not at the official government site. Remember, the FAFSA site address has **.gov** in it!



## Watch Out for Scholarship Scams!

Be wary of companies that “guarantee” you scholarship money and create a sense of urgency for you to sign. Much of this information is free from reputable companies to help you find sources of scholarships and grants. Your high school guidance counselor or college financial aid office can provide information about grant or scholarship options. For more information, see the Federal Trade Commission information on scholarship scams.<sup>16</sup>

# Federal Loans, Private Loans, and How to Tell the Difference

With the high cost of attending college, many students and their families have had to take out one or more student loans. When students graduate, decent-paying jobs are not always available. As a result, many borrowers report difficulty repaying their student loans, and loan servicers and debt collectors are not always easy to work with. The following information is for anyone seeking to repay student loans.



- Your loan type affects your rights.
- Keep copies of your student loan documents—these details help determine your options.
- Private loans are generally more expensive than federal student loans.

## Know Your Loans<sup>17</sup>

The first thing you should do if you have difficulty repaying a student loan is to determine what kind of loan you have. This will affect your rights. There are two main types of student loans: (1) federal student loans—which are guaranteed or issued by the federal government, and (2) private or non-federal student loans—which are issued by private lenders, a state agency, or by the schools themselves.

## Federal Student Loans

The largest provider of student loans is the U.S. Government. Before 2010, most “federal” loans were made by private financial institutions but guaranteed by the federal government. Today, however, federal student loans are issued directly from the U.S. Department of Education. For these “federal direct” loans, the federal government is your lender. The Department of Education currently offers three primary types of federal student loan programs: Direct Loans, Direct PLUS Loans, and Direct Consolidation Loans. These loan programs are outlined below. If you want more information, you should consult the Department of Education’s website at: [www.studentaid.gov/understand-aid/types/loans](http://www.studentaid.gov/understand-aid/types/loans).

**The largest provider of student loans is the U.S. Government.**

## Federal Direct Subsidized and Direct Unsubsidized Loans<sup>18</sup>

Federal Direct Subsidized and Direct Unsubsidized Loans are the largest federal student loan program, often referred to as Stafford Loans or Direct Stafford Loans:

- **Direct Subsidized Loans** are available to undergraduate students who demonstrate financial need. The school determines the amount that the student can borrow. The government pays interest during your time in school, grace periods, and periods of deferment for this low interest loan.
- **Direct Unsubsidized Loans** are available to undergraduate and graduate students. A student does not need to demonstrate financial need to qualify. The school determines the amount a student can borrow. The student is responsible to pay the interest during all periods.

## Direct PLUS Loans<sup>19</sup>

Direct PLUS Loans, commonly referred to as parent PLUS loans, are available to parents of undergraduate dependent students, and to graduate or professional degree students. PLUS loans assess a loan fee that is proportionately deducted from each loan disbursement. Interest is charged during all periods and PLUS loans require a credit check.

## Direct Consolidation Loans<sup>20</sup>

Direct Consolidation Loans allow consolidation of eligible federal loans into one loan with a single loan servicer after the borrower leaves school. Direct PLUS Loans can generally be consolidated, however, Direct PLUS Loans received by parents to help pay for a dependent student’s education cannot be consolidated together with federal student loans that the student received.

## Private Student Loans

Private student loans are made by private financial institutions and lenders, such as banks and credit unions. These private loans are generally more expensive than federal student loans and differ from federal loans in many ways. For example, private loans will, generally:

- Require applicants to qualify based on credit scores or will require a “co-signer” to be subject to repayment
- Require repayments while borrowers are still in school
- Charge variable interest rates, which can go up as the marketplace changes
- Charge higher interest rates than federal student loans
- Offer few repayment options or protections for borrowers who struggle to repay the debt

Colleges and universities may also offer “institutional” loans to finance a student’s education when they cannot obtain financing from federal loans or other private student lenders. Students should be careful to sign up for these loan products. Some schools have in the past charged extremely high interest rates on those loans. Schools also frequently will prevent students from attending class, taking exams, obtaining transcripts, or getting a diploma if institutional loan balances are unpaid.

Schools may also offer or have relationships with lenders to offer “income share agreements” or ISAs. These are student loans that involve the borrower receiving credit or money to fund their education or training, but instead of a standard monthly repayment, the borrower promises to pay a fixed percentage of their income after leaving school. Students should be careful when entering an ISA because they may end up charging far more than a traditional student loan would and do not fully disclose the terms and implications of the ISA. Many private student loans also require repayment while the borrower is still in school.

## SELF Loans

The Minnesota Student Educational Loan Fund (SELF) Program is a long-term, low-interest educational loan from the Minnesota Office of Higher Education, a state agency. The loan program is only for Minnesota residents, and a cosigner is required. Before you apply for the SELF Loan, be sure to look into any federal education loans for which you may be eligible. In general, SELF loans do not have as many benefits or repayment options as federal student loans. For information on the Minnesota SELF Loans, contact the Office of Higher Education as follows:

### Minnesota Office of Higher Education

1450 Energy Park Drive, Suite 350

St. Paul, MN 55108-5227

(651) 642-0567

[selfloan.ohe@state.mn.us](mailto:selfloan.ohe@state.mn.us)

[www.selfloan.state.mn.us](http://www.selfloan.state.mn.us)

## How to Determine Your Loan Type

You may have more than one student loan, or may have both private and federal student loans. The following may assist you in compiling and tracking your loan information and planning for repayment of your loans:

### Keep Track of Your Loans

Keep paper or electronic copies of your student loan documents. It is important to keep track of the lender, loan servicer, balance, and repayment status for each of your student loans. These details help determine your loan repayment and other program options.

### Federal Loans

To identify any federal student loans you may have, visit the U.S. Department of Education website, <https://studentaid.gov/fsa-id/sign-in/landing>.

### Non-Federal Loans

If you cannot locate your loan through the the U.S. Department of Education website, you probably have a private or state SELF loan. To locate more information about private student loans, you should contact the loan servicer that may send you communications and monthly statements. You can also try viewing a free copy of your credit report,<sup>21</sup> get in touch with your school's financial aid office, or contact the Minnesota Office of Higher Education<sup>22</sup> to see if they can help you to identify your student loans.

You can obtain a list  
of your federal loans  
by visiting  
[https://studentaid.gov/  
fsa-id/sign-in/landing](https://studentaid.gov/fsa-id/sign-in/landing)

# Repayment Plans

How soon you must pay and the amount of your payments will depend upon your student loan types and sometimes your current earnings.

## When will your loan payments begin?<sup>23</sup>

How soon you must repay your student loan depends on your type of loan. Some loans require payments while you are in school, while others wait until you leave school. Some federal loans provide a grace period before you must start repayment of your student loans. A grace period is a set period of time before you must begin repayment, usually at one of the following events: (1) student graduates; (2) student drops below half the credits needed to be full time; or (3) student withdraws from the academic program. Once your grace period ends, you must begin repaying your loan.

**Direct PLUS Loans** do not have a grace period. Repayment for PLUS loans begins immediately after the loan is disbursed. Private and state student loans often offer no grace period, and many require you to make interest payments while in school.

## What will be the amount of your loan payments?

The amount of your payments depends on the terms of your loan and, in the case of federal loans, the available repayment options. You must repay your loans regardless of the outcome of your education. Even if you don't finish school, can't find a job in your field of study, or are unhappy with the education financed by your loan, you must still repay your student loans.

**Unlike scholarships or grants, student loans must be repaid.**

## Federal student loan repayment options for borrowers include the following:

- **Standard Repayment Plan:**<sup>24</sup> Payments are a fixed amount of at least \$50 per month for up to ten years. Monthly payments may be higher than other repayment plans, but you will pay less interest over the life of the loan. Borrowers on standard repayment plans are not eligible for public service loan forgiveness.
- **Graduated Repayment Plan:**<sup>25</sup> Payments are lower at first and then increase, usually every two years. Payment plan is for up to ten years. You will pay more interest over time than under the ten-year Standard Plan. Borrowers on graduated repayment plans are not eligible for public service loan forgiveness.
- **Extended Repayment Plan:**<sup>26</sup> Payments may be fixed or graduated, and may be up to 25 years. This Plan is available for Direct Loan debt of more than \$30,000. You will pay more over time than under the ten-year Standard Plan. Borrowers on an extended repayment plan are not eligible for public service loan forgiveness.



- Not all loans have a grace period before payments begin.
- The amount of your payment depends on the terms of your loans.
- Federal loans generally have better repayment options than private loans.

- **Income Based Repayment Plan (IBR):**<sup>27</sup> Monthly payments are 10 or 15 percent of discretionary income. Payments are recalculated each year and are based on your updated income and family size. IBR will also forgive the remaining debt after 20 or 25 years of qualifying payments. Borrowers on an IBR plan may be eligible for public service loan forgiveness after 10 years of repayment.
- **Income Contingent Repayment Plan (ICR):** Monthly payments are calculated each year and are based on your annual income (and your spouse's income if you are married), family size, and the total amount of your Direct Loans. Your monthly payment will be the lesser of 20 percent of discretionary income or a fixed payment over 12 years. ICR will also forgive the remaining debt after 25 years of qualifying payments. Borrowers on an ICR plan are eligible for public service loan forgiveness after 10 years of repayment.
- **Pay as Your Earn Repayment (PAYE) and Revised Pay as Your Earn (REPAYE):** These plans aid borrowers who qualify for partial financial hardship. The monthly payments are 10 percent of discretionary income and payment amount may increase or decrease each year based on income and family size. These plans will also forgive the remaining debt after 20 or 25 years of qualifying payments, and are eligible for public service loan forgiveness after 10 years of repayment.
- **Saving on a Valuable Education (SAVE) Plan:** The U.S. Department of Education has finalized the most affordable repayment plan in history. It's called the Saving on a Valuable Education (SAVE) plan. Borrowers signed up for the current Revised Pay as You Earn (REPAYE) plan will be automatically enrolled in SAVE. The SAVE Plan, like other income-driven repayment (IDR) plans, calculates your monthly payment amount based on your income and family size. The SAVE Plan provides the lowest monthly payments of any IDR plan available to nearly all student borrowers.

## Choosing a Repayment Option<sup>28</sup>

Not every federal student loan debt is eligible for every federal repayment option. Check with your student loan servicer to learn more about your options in deciding or changing your repayment plan. To more easily navigate your federal student loan repayment options, go to this student loan repayment option webpage at <https://studentaid.gov/manage-loans/repayment>. The federal government launched this webpage to inform student loan borrowers about repayment options best-fitted for their unique circumstances. The webpage also covers private and non-federal loans. You can also check with your student loan servicer to learn your options in deciding or changing your repayment plan.

**Not every federal loan  
is eligible for every  
repayment plan.**

A repayment estimator tool is available from the U.S. Department of Education at <https://studentaid.gov/loan-simulator/>. This tool can tell you what your payments would be under the repayment plan based on the amount of the loan.

The Consumer Financial Protection Bureau webpage tool also lists options for how to pay off your student loans, both federal and private loans, based on basic information about your situation. You may find more information at [www.consumerfinance.gov/paying-for-college/repay-student-debt/](http://www.consumerfinance.gov/paying-for-college/repay-student-debt/).

## Private Student Loans

In general, most private loans offer fewer repayment options than federal student loans. Some private lenders may offer only one standard type of repayment plan with little flexibility. Other lenders might offer more than one type of repayment plan, including ones based on your income.

The federal Consumer Financial Protection Bureau has a webpage tool that lists options and advice for how to pay off your private student loans, as well as federal loans, based on basic information about your situation. The webpage may be found at [www.consumerfinance.gov/paying-for-college/repay-student-debt/](http://www.consumerfinance.gov/paying-for-college/repay-student-debt/).

Check with your lender or loan servicer to determine what repayment options are available to you for your loan and which works best for you.

## Student Loan Servicers and Ombudsman Offices

### Key Points

- Student loan servicers are supposed to provide certain types of assistance.
- Ombudsmen are available to assist you with student loan servicers.
- Other assistance may be available, but **beware of scams!**

### Student Loan Servicers<sup>29</sup>

Student loan servicers are companies that collect payments on a student loan and communicate with the borrower while the loan is in repayment. After a federal direct loan is disbursed, the U.S. Department of Education assigns it to a loan servicer. The Department may also transfer the servicing rights to another company during the life of the loan. Private student loans typically use third-party servicers as well but may transfer the servicing rights while a loan is in repayment.

#### To find your student loan servicer:

- For federal loans—visit your account dashboard (<https://studentaid.gov/fsa-id/sign-in/landing>) and scroll down to the “My Loan Servicers” section or call the Federal Student Aid Information Center (FSAIC) at (800) 433-3243.
- For non-federal (private) student loans—contact your lender to determine your student loan servicer.
- You may be switched to a different loan servicer, and you may have multiple loan servicers if you have more than one student loan.

#### Student loan servicers are supposed to:

- Answer questions and provide accurate information about your student loan;
- Describe which repayment plans are available to you;
- Assist with loan consolidation;
- Process deferments and forbearances; and
- Provide assistance with forgiveness, cancellation, or discharge options.

Your monthly student loan bill is likely from your loan servicer.

Unfortunately, many borrowers report that loan servicers can be hard to work with. This Office has received many reports of servicers losing or missing paperwork, not returning calls and being difficult to reach, repeatedly asking for the same information, or not providing help with or accurate information about repayment plans.

### Here are some suggestions for working with student loan servicers:<sup>30</sup>

- Don't ignore letters and emails from your loan servicer.
- Notify your loan servicer right away about a change in your circumstances that affects your repayment.
- In your correspondence with your loan servicer include important details like your account number at the top of your letter or message.
- Keep a copy of your letters and emails, and of all bills, receipts, and replies you receive from your loan servicer.
- Notify your loan servicer when your address, email address, phone number, or name changes.
- When you speak with a representative of the loan servicer on the phone, make a note of whom you speak with and what was said.
- Keep a log with the dates and details of your communications with your loan servicer.
- Keep track of your loan servicer for each loan. Although each loan has its own loan servicer, two or more of your loans may have the same servicer.

**It is best to communicate with your loan servicer in writing.**

For loans that have gone into default, management of the loan account will typically be transferred from the servicer to a debt collection agency. For information about working with debt collectors and the Department of Education when your loan is in default, see the sections below entitled, "If Your Loan Defaults" and "Collection Activities."

## Ombudsman Offices<sup>31</sup>

If you are having problems with your student loan servicer, you can contact your loan servicer's customer service office, customer advocate office, or ombudsman office. Those offices are supposed to assist borrowers when they have difficulty with the loan servicer. You can often locate these offices by checking the loan servicer's webpage. If you cannot find contact information for these offices on the loan servicer's webpage, check the Student Loan Borrower Assistance List of Ombudsman Offices, which provides contact information for many student loan servicers or loan guaranty agencies' ombudsman offices.

## Federal Student Loans

For federal student loans, you should contact the U.S. Department of Education<sup>32</sup> about any problems with the loan servicer. The Department hires and has authority over all servicers of federal student loans. You can report your concerns about your loan servicer to the Secretary of the Department of Education as follows:

**U.S. Department of Education**  
400 Maryland Avenue SW, Washington, DC 20202  
<https://studentaid.gov/feedback-center/>

You can also contact the Federal Student Aid Ombudsman Group for assistance with problems with your loan servicer. The Federal Student Aid Ombudsman is housed within the U.S. Department of Education and is authorized

to help students resolve problems with federal student loans. You can contact the Federal Student Loan Ombudsman as follows:

**U.S. Department of Education**  
Federal Student Aid Ombudsman Group  
P.O. Box 1843, Monticello, KY 42633  
(877) 557-2575  
<https://studentaid.gov/feedback-center/>

## Private Student Loans

For non-federal or private student loans, you should let the lender know about problems with the servicer.

The Federal Consumer Financial Protection Bureau (CFPB) has authority to address various student loan issues, including those concerning private student loans. You can file a CFPB Online Complaint Form with the CFPB about your experiences and concerns about your private or federal student loan servicer ([www.consumerfinance.gov/complaint](http://www.consumerfinance.gov/complaint)). You can also contact the CFPB as follows:

**Consumer Financial Protection Bureau**  
1700 G Street NW, Washington, DC 20552  
(855) 411-CFPB (2372)  
[www.consumerfinance.gov/consumer-tools/student-loans/](http://www.consumerfinance.gov/consumer-tools/student-loans/)

## Other Assistance

If you need assistance in working with your loan servicer, a non-profit agency called Lutheran Social Services may be available to help individuals navigate repayment options, determine eligibility for alternative programs, and develop an individualized action plan. The Lutheran Social Services financial counseling program is free and confidential. Appointments are available across Minnesota for in-person appointments, and phone or virtual options are available. Contact the Lutheran Social Services Student Loan Counseling Program online at [www.lssmn.org/financialcounseling/financial-wellness-services/student-loan-debt](http://www.lssmn.org/financialcounseling/financial-wellness-services/student-loan-debt) or by toll-free phone: (888) 577-2227.

The National Consumer Law Center, a nonprofit consumer legal and advocacy group, has established a Student Loan Borrower Assistance Project that provides information about student loan rights and responsibilities. The Student Loan Borrower Assistance website ([www.studentloanborrowerassistance.org](http://www.studentloanborrowerassistance.org)) is an online resource that many borrowers indicate is helpful on many student loan topics.

You may also wish to report your difficulty with your loan servicer to the Minnesota Attorney General's Office as follows:

**Office of Minnesota Attorney General Keith Ellison**  
445 Minnesota Street, Suite 1400, St. Paul, MN 55101  
(651) 296-3353 (Twin Cities Calling Area) or (800) 657-3787 (Outside the Twin Cities)  
(800) 627-3529 (Minnesota Relay)  
[www.ag.state.mn.us/Office/Forms/ConsumerAssistanceRequest.asp](http://www.ag.state.mn.us/Office/Forms/ConsumerAssistanceRequest.asp)



## Beware of Financial Aid Scams!

Avoid private companies that offer “student loan assistance help” or debt forgiveness. Many of these companies end up charging borrowers hundreds or thousands of dollars for services the borrower could receive free of charge and cause other problems for borrowers. For more information, review the brochure prepared by the Minnesota Attorney General’s Office entitled *Beware of Student Loan Assistance Companies that Charge High Fees To Do What You Can For Free*.<sup>33</sup>

# COVID-19 and Student Loan Repayment

## Relief for Federal Loans

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), federal student loans payments were put into a “payment pause” as of March 13, 2020. This payment pause was extended up until October 2023. During this period, payments were automatically deferred and collection activity on defaulted loans was suspended. Additionally, student loan interest was paused, and interest begins to accrue again on September 1, 2023. The months in which the payment pause was in effect will also still count towards federal student loan forgiveness programs.

If you made loan payments during this period, the full amount of your payments will go towards your unpaid principal balance, unless you owe any interest or fees prior to March 13, 2020. You can also request a refund from your servicer of any payments made during the payment pause towards eligible federal loans. Borrowers’ credit reports should not show as delinquent during forbearance. If there is any incorrect information related to your federal student loan activity on your credit report, promptly dispute it with the credit bureaus.

In September and October of 2023, payments, interest, and collections resume. If you are in need of continued forbearance or modified loan payments, promptly contact your loan servicer.

## Private Loans and COVID-19

The payment pause put in place by the CARES Act and other executive actions did not apply to private loans or federal loans that are not owned by the U.S. Department of Education. Some private loan servicers offered voluntary forbearance or other relief at the time the CARES Act went into effect, however private lenders were not required to suspend payments, interest, or collection activity. To determine what type of forbearance or relief you may be eligible for, contact your private loan servicer.



### Key Points

- You should do what you can to prepare for federal student loan repayments to begin again in October 2023.
- The months subject to the federal student loan repayment pause will count towards student loan forgiveness programs.

# If You Can't Repay Your Loan

Circumstances may arise that make repayments difficult. Your loan servicer is supposed to help you understand your options for keeping your loan in good standing. Options to keep your loan in good standing when you are having difficulty making the monthly payments may include:



- Forbearance may be an option in the event of a short-term hardship.
- Income-Driven Repayment plans are a good option to keep your payments affordable while you make progress towards forgiveness.

## Change Your Repayment Plan

If your income and/or household expenses make it difficult or impossible to repay your federal student loans, you should inquire with your servicer about whether you should be in a different repayment plan. You should ask your servicer about income-driven repayment plans that are described in this Handbook and are based on your income. If you are already in an income-driven repayment plan and you had a recent drop in income or increased the size of your household, you should update your information with your servicer to allow your monthly payment to be adjusted. Private lenders have fewer options for repayment based on financial hardship, but you should ask your servicer what is available.

## Forbearance<sup>34</sup>

If you are experiencing a short-term hardship and can't make your scheduled loan payments, your loan servicer may be able to grant you a forbearance. A forbearance may allow you to stop making payments or reduce your monthly payment for up to 12 months. But know that while your payments may be suspended or reduced, interest will continue to accrue on your federal loans. The months in which you are on forbearance also will NOT count towards any federal student loan forgiveness programs.

**Contact your loan servicer immediately if you are unable to make your scheduled loan payments.**

## Deferment

In certain circumstances, you may be able to postpone paying back your student loans by obtaining a deferment. For unsubsidized loans, interest will accrue during a deferment. The type of loan and date the loan was incurred will affect your deferment options, if any. You can get deferments for most federal student loans in the following circumstances:

- In-school for at least half-time study;
- Graduate fellowship;
- Rehabilitation training program;
- Unemployment, not to exceed three years;
- Economic hardship, granted one year at a time for a maximum of three years; and
- Military service.

To apply for a different repayment plan, forbearance, or deferment, contact your loan servicer. The months in which you are on deferment will NOT count towards any federal student loan forgiveness programs.

## Private Loans

Private and non-federal loans may or may not have deferment or forbearance options, and the rules vary among lenders. Many private lenders offer deferments for certain circumstances. It is best to discuss these options with your loan servicer as early as possible. For private student loan deferment or forbearance, terms and fees can vary. Your options for deferment or forbearance of private loans may not be as borrower-friendly as the federal program options.

Repayment options for deferment or forbearance of private loans may not be as borrower-friendly as the federal options.

If you have private loans that are unaffordable, you may wish to consider refinancing your loans into a loan that has a lower interest rate. Some Minnesota residents may be able to refinance their private student loans into a lower interest rate loan offered by the State of Minnesota's "SELF Refi" program. For more information about that program, you can contact the Minnesota Office of Higher Education or visit its website: [www.selfrefi.state.mn.us](http://www.selfrefi.state.mn.us).

## Loan Consolidation Programs

### Federal Student Loans<sup>35</sup>

If you have more than one federal student loan, it may be simpler to combine them all into one loan with a single monthly payment in a Direct Consolidation Loan. By doing so, however, you may lengthen your repayment period, which will require you to pay more interest over the life of the loan. Non-federal student loans may not be combined into a federal loan consolidation program.

For a list of federal loans you may consolidate and qualifications standards, contact your loan servicer or the U.S. Department of Education ([www.studentaid.gov/manage-loans/consolidation](http://www.studentaid.gov/manage-loans/consolidation)).

Federal student loan borrowers often receive solicitations and marketing from private lenders that offer refinancing options at favorable interest rates or with other incentives. Borrowers should be careful when they consider these offers. Changing your federal loans to a private loan will prevent the option of income-driven repayment and loan-forgiveness programs. And private loans don't carry some other protections for borrowers that apply to federal student loans.



- There is no application fee to consolidate your federal student loans.
- The SELF Refi may be available to Minnesota residents who meet certain criteria.



### **Beware of possible scams!**

There is no application fee to consolidate your federal education loans into a Direct Consolidation Loan. If someone requests a fee to consolidate your loans, you are not dealing with a U.S. Department of Education consolidation servicer.

## Non-Federal Student Loans<sup>36</sup>

If you have private or non-federal student loans, check with your loan servicer whether consolidation is an option. There are private lenders that provide options for refinancing private education loans and may offer better interest rates than your existing loan.

## Minnesota SELF Refi Program

If you are a Minnesota resident with private or federal student loans, the State of Minnesota offers a program called the Student Educational Loan Fund Refinancing (SELF Refi) Program, administered by the Minnesota Office of Higher Education. The SELF Refi Program is available to Minnesota residents who earned a postsecondary certificate, diploma, or degree and meet credit criteria. Be careful in considering this refinancing option if you want to consolidate your federal student loans in this program, because refinancing federal loans to a non-federal program means giving up certain benefits, loan forgiveness programs, and other protections provided by law for federal student loans. For more information about the SELF Refi Program, contact the Minnesota Office of Higher Education as follows:

### Minnesota Office of Higher Education

PO Box 64449

St Paul, MN 55164

(651) 642-0567 or (800) 657-3866

[selfloan.ohe@state.mn.us](mailto:selfloan.ohe@state.mn.us)

[www.selfrefi.state.mn.us](http://www.selfrefi.state.mn.us)

## Loan Cancellation/Forgiveness Programs

Under certain limited circumstances, you may be eligible to have all or part of your federal student loan forgiven. If your loan is forgiven, you are no longer responsible for repayment. You can determine your eligibility by contacting your loan servicer.

### Forgiveness programs for federal student loans include:<sup>37</sup>

#### Total and Permanent Disability<sup>38</sup>

Federal student loans may be cancelled for total and permanent disability that is established in one of three ways listed below. Nelnet assists the U.S. Department of Education in administering the Total and Permanent Disability (TPD) discharge process. For more information about the TPD discharge process, you may visit Nelnet's website at [www.disabilitydischarge.com](http://www.disabilitydischarge.com).

- The borrower has certification from a physician that they are unable to work and the condition has lasted or is expected to last for a continuous period of not less than 60 months;



- Private student loans generally do not have forgiveness programs.
- The Holder Rule is an exception that may apply to certain private loans.

- The borrower is receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits; or
- If the borrower is a veteran, they submit documentation from the U.S. Department of Veterans Affairs (VA) that shows that the VA has determined that the borrower is unemployable due to a service-connected disability.

## Public Service Loan Forgiveness (PSLF)<sup>39</sup>

If you work full-time in certain public service jobs and have made 120 payments on your Direct Loans (after October 1, 2007), the remaining balance that you owe may be forgiven. Eligible jobs include employment by federal, state, local, or tribal government; nonprofit tax-exempt organizations; and full-time service in AmeriCorps or Peace Corps positions. Your loan must not be in default, and the 120 payments only count if they were made under certain repayment plans.

Student loans may be forgiven in certain limited circumstances.

## Loan Forgiveness for Teachers<sup>40</sup>

If you teach full-time for five consecutive years in a low-income elementary school, secondary school, or educational service agency, you may be able to have as much as \$17,500 of your federal loan cancelled. Note that if you have a Perkins Loan, cancellation requirements may be different and if you have Direct PLUS loans only, you are not eligible for this type of forgiveness. For more information about this program, consult the Department of Education's website at: [www.studentaid.gov/understand-aid/types/grants/teach](http://www.studentaid.gov/understand-aid/types/grants/teach).

## Income-Driven Repayment Plan<sup>41</sup>

If you are enrolled in an income-driven repayment plan (e.g. Revised Pay As You Earn Repayment Plan, a/k/a REPAYE Plan), and are not working in public service, you may be eligible for loan forgiveness after consistent payments for 20 to 25 years, depending on the terms of the plan.

## Closed Schools<sup>42</sup>

School closings have become more frequent in recent years. You may be eligible for forgiveness of your federal loans if:

- your school closed while you were enrolled and you cannot complete your program because of the closure or
- your school closes within 120 days after you withdrew.

You are generally not eligible for closed school discharge if you:

- withdrew more than 120 days before the school closed;
- you are completing a comparable educational program at another school through a teach-out agreement with the school or by transferring credits or hours learned at the closed school to the new school; or
- you completed all coursework for your program at the closed school (even if you did not receive a diploma or certificate).

Note, however, that the U.S. Department of Education may extend the 120-day period based on certain circumstances.

Students interested in closed-school discharge should contact their loan servicer about the application process. More information is also available on the Department's website.

If you live in Minnesota and your school recently closed, you may also be able to find resources from the Minnesota Office of Higher Education.<sup>43</sup>

## Borrower Defense to Repayment for Federal Loans<sup>44</sup>

Since 1995, federal law has provided that students may submit a claim to the U.S. Department of Education to have their federal student loans forgiven. You may be eligible to have the Department forgive your federal student loans if your school committed fraud against you, misrepresented its services to you, or otherwise violated applicable state law.

The Department of Education administers the borrower defense program, which has undergone significant rules changes, lawsuits, and other controversies in the last decade. However, over \$20 billion in federal student loans have been cancelled under this program. Information on standards applied by the Department and how to apply for the program or download an application is available on the Department's website: [www.studentaid.gov/borrower-defense/](http://www.studentaid.gov/borrower-defense/).

When applying for borrower defense, you may also request in your application that your federal loans be placed in forbearance or have collections stopped for up to 12 months. Interest will continue to accrue on your account during the duration of the forbearance, however, and you are obligated to pay back that interest if your loans are not forgiven. You can find information about the forbearance process at the webpage noted above. If you have questions about borrower defense options, visit [www.studentaid.gov/borrower-defense/](http://www.studentaid.gov/borrower-defense/), you may also call the federal government's borrower defense hotline at (855) 279-6207.

## Borrower Defense Does Not Apply to Private Loans<sup>45</sup>

In general, most private student loans do not offer cancellation or loan forgiveness programs similar to federal student loans. Contact your lender or loan servicer as to whether cancellation or forgiveness is an option under your loans due to your circumstances.

## Taxability of Loan Forgiveness

Whether forgiveness of a student loan is taxable may depend on the type of loan, the reason for the forgiveness, and the time in which it was forgiven. In 2021, Congress passed the American Rescue Plan Act, which temporarily exempts all federal student loan forgiveness from federal taxation on a general basis through 2025. Otherwise, the below categories of student debt cancellation have been treated as follows:

- **Total and Permanent Disability:** A federal tax law passed by Congress in 2017 exempts TPD Discharges from federal taxation through 2025.
- **PSLF:** The IRS has stated that loan discharges granted under the PSLF program are not taxable.
- **Borrower Defense:** An IRS opinion letter has stated that prior student loans discharges granted under the borrower defense program were not taxable.
- **Federal Loans Forgiven after 20/25 Years of IDR Payments:** While it is uncertain how discharges will be treated, loan forgiveness that may happen at the end of 20 or 25-year repayment terms under an income-driven repayment plans may be taxable events.
- **Private Loan Discharge:** If a borrower is able to negotiate discharge of a private student loan, it may be taxable.

State laws also may or may not tax the above forms or other forms of student loan cancellation. Borrowers who are considering applying for forgiveness or have received forgiveness and need tax advice should consult a tax professional.

## If Your Loan Defaults

Failure to make payments on your student loan can have significant consequences.<sup>46</sup> Your loan will be considered in default<sup>47</sup> if you do not make any payments for a set period. This amount of time may be as much as 270 days for most federal student loans, but is much shorter for private loans.



- Rehabilitation or consolidation may be possible options for a defaulted federal student loan.
- Private loans cannot be consolidated into a federal direct loan program.

## Possible Options if You Have a Federal Student Loan<sup>48</sup>

### Rehabilitation<sup>49</sup>

To rehabilitate a defaulted federal loan, you must agree in writing to make a certain number of payments (often nine monthly payments) within 20 days of the due date. Under a loan rehabilitation agreement for a federal loan, the U.S. Department of Education or the guaranty agency will initially offer you a payment that is equal to 15 percent of your discretionary income. You may be able to obtain a recalculated payment that considers your income and expenses if you find the initial monthly payment is unaffordable. You can rehabilitate a defaulted federal loan only once.

**If your loan defaults (or is about to default), contact your loan servicer immediately and ask what options are available to you.**

### Loan Consolidation<sup>50</sup>

Another option to get your federal loan out of default is to consolidate your defaulted federal student loan into a Direct Consolidation Loan. Loan consolidation allows you combine one or more federal student loans into a single new loan with a fixed interest rate. Before you can consolidate a defaulted loan, you must make three consecutive, on-time, full monthly payments on the defaulted loan or agree to an income-driven repayment plan for the new loan.

- The free Federal Direct Consolidation Loan Application and Promissory Note<sup>51</sup> may be completed either online or on paper. To complete the online application or to download a paper application, go to <https://studentaid.gov/app/launchConsolidation.action>.
- You may contact the Loan Consolidation Information Call Center at (800) 557-7392 for questions you may have before applying to consolidate your federal student loans.
- There is no cost to the borrower to complete the Federal Direct Consolidation Loan Application and Promissory Note.
- **Beware of possible scams!** If someone contacts you and offers to consolidate your loans for a fee, you are not dealing with a U.S. Department of Education consolidation servicer.
- For more information, consult the Loan Consolidation Programs section of this publication.

## Possible Options if You Have a Private Student Loan<sup>52</sup>

If you have non-federal loans, you cannot consolidate your private loans into a federal direct loan program. If your loans are in default, most private student loan lenders do not have rehabilitation or consolidation programs. You should ask your lender or loan servicer about your options, if any, when your private loan has gone into default.

## If Your Loan is Cosigned

For more information on defaulting on cosigned loans, see the Minnesota Attorney General's Office flyer entitled *Cosigning A Loan*.<sup>15</sup> If you are a cosigner and the main borrower defaults on the loan, the responsibility of repayment falls to the cosigner. The cosigner can also be responsible for late charges, penalties, and collection costs.

## Collection Activities

Once a loan is in default, you may be asked to immediately pay the unpaid principal balance and interest. Your debt may be referred to a collection agency<sup>53</sup> and collection costs will be added to your loan.



- Defaulting on your student loan can lead to a variety of collection activities.
- When facing administrative garnishment, you have the right to a hearing to present why your wages should not be garnished.

## Federal Loans<sup>54</sup>

For federal student loans, collection activity can occur without a court judgment. You may be subject to a variety of collection efforts, including:

- Your wages can be subject to “administrative wage garnishment” unless you make a request for a hearing in writing, postmarked no later than 30 days from the date the garnishment notice was sent, and provide an explanation that 1) the debt is unenforceable, 2) that you would suffer financial hardship, or 3) you’ve been employed for less than 12 months after having been involuntarily separated from employment;
- Your state or federal tax refunds or property tax refunds may be withheld;<sup>55</sup>
- The federal government may offset or deduct from certain federal benefits,<sup>56</sup> including Social Security benefits; and
- You may be denied future requests for federal financial aid.

**Collection costs will be added to your loan.**

## Private Loans

If your student loan is a non-federal loan, your loan may go into default much sooner than federal loans. Your private loan may also go into default for other incidents as described in the loan contract, such as if you or your cosigner die, file for bankruptcy, or break other promises in the loan.

## Dealing With Debt Collectors<sup>57</sup>

If a debt collector gets involved in collecting your student loans, it will generally add to your loan costs and can be expensive. It is best if you can work with your loan servicer to prevent your loan from being placed in default.

If your debt is referred to a collection agency,<sup>58</sup> know your rights. Review this Office's *Debt Collection Fact Sheet*<sup>59</sup> and *The Credit Handbook*<sup>60</sup> for more information on your rights when dealing with debt collection agencies.

The U.S. Department of Education has hired over 20 debt collection agencies to assist it in collecting on student loan debt. If a debt collection agency working for the federal government behaves improperly, you should let the Department know:

**U.S. Department of Education**  
400 Maryland Avenue SW  
Washington, DC 20202  
[www.studentaid.gov/feedback-center/](http://www.studentaid.gov/feedback-center/)

The Minnesota Department of Commerce is a state agency that licenses and has authority to regulate debt collectors operating in Minnesota. If a debt collection agency behaves improperly, you should file a report with the Department of Commerce as follows:

**Minnesota Department of Commerce**  
85 7th Place E, Suite 280  
St. Paul, MN 55101  
(651) 539-1600 or (800) 657-3602  
[www.mn.gov/commerce](http://www.mn.gov/commerce)

## Additional Information and Assistance



### Scam Alert!

**Beware of student loan assistance companies that charge high fees to do what you can do for free!<sup>61</sup>**

Borrowers of student loans may receive mailings, receive phone calls, or see websites promising to help them manage their student debt. Signs of a student loan assistance scam include:

- Promises of immediate loan forgiveness or cancellation;
- Upfront fees to apply to the U.S. Department of Education for loan programs;
- Companies that request your bank account information or access to your federal student aid PIN;
- Recurring monthly fees;
- Phrases like "Call Now!" "Get Your Student Loans Forgiven Now!" "Guaranteed Results!" or "Savings Plan Available for a Limited Time Only!"; or
- Statements about relationships with the government.



- Resources are available to assist with various student loan issues.

## United States Department of Education

The U.S. Department of Education oversees the federal student loan program. You can contact the Department if you have questions, suggestions, or concerns about the student loan process. You can also give feedback to the Department to file a complaint, report suspicious activity, or provide suggestions.

### U.S. Department of Education

400 Maryland Avenue SW

Washington, DC 20202

[www.studentaid.gov/feedback-center/](http://www.studentaid.gov/feedback-center/)

## Federal Consumer Financial Protection Bureau (CFPB)

Another federal agency, the Federal Consumer Financial Protection Bureau (CFPB) has authority to address various student loan issues for both federal and private loans. You can contact the CFPB to share your experiences, suggestions, and concerns about student loans.

### Consumer Financial Protection Bureau

1700 G Street NW

Washington, DC 20552

(855) 411-CFPB (2372)

[www.consumerfinance.gov/about-us/contact-us/](http://www.consumerfinance.gov/about-us/contact-us/)

## National Consumer Law Center (NCLC)

The National Consumer Law Center, a nonprofit consumer legal and advocacy group, has established a Student Loan Borrower Assistance Project that provides information about student loan rights and responsibilities. The Student Loan Borrower Assistance Website ([www.studentloanborrowerassistance.org](http://www.studentloanborrowerassistance.org)) is an online resource that many borrowers indicate is helpful on many student loan topics.

### National Consumer Law Center

7 Winthrop Square

Boston, MA 02110-1245

(617) 542-8010

[www.studentloanborrowerassistance.org/](http://www.studentloanborrowerassistance.org/)

## Student Borrower Protection Center

The Student Borrower Protection Center is another nonprofit consumer legal and advocacy group. It provides information about the Public Service Loan Forgiveness process, abuses by the student loan industry, and other topics related to borrowers' rights.

### **Student Borrower Protection Center**

1025 Connecticut Ave NW, #717

Washington, DC 20036

(202) 670-3871

[www.protectborrowers.org](http://www.protectborrowers.org)

## **Lutheran Social Services**

The Minnesota Legislature provided funding for a student loan financial counseling program through Lutheran Social Services, a nonprofit organization. If you need assistance in exploring available options for repaying your student loans, Lutheran Social Services may be available to help individuals navigate repayment options, help determine eligibility for alternative programs, and help develop an individualized action plan. This financial counseling program is free and confidential. In-person appointments are available across Minnesota. Phone or virtual appointment options are also available. Contact the Lutheran Social Services Student Loan Counseling Program at the following address:

### **Lutheran Social Services Financial Counseling Service**

424 West Superior Street, Suite 600

Duluth, MN 55802

(888) 577-2227

[www.lssmn.org/financialcounseling/financial-wellness-services/student-loan-debt](http://www.lssmn.org/financialcounseling/financial-wellness-services/student-loan-debt)

## **Minnesota Office of Higher Education**

### **Minnesota Office of Higher Education**

1450 Energy Park Drive, Suite 350

St. Paul, MN 55108-5227

(651) 642-0567 or (800) 657-3866

Fax: (651) 642-0675

[www.ohe.state.mn.us](http://www.ohe.state.mn.us)

## **Minnesota Attorney General's Office**

If you are having trouble with a lender, a debt collector, or a student loan servicer, the Minnesota Attorney General's Office may be able to help.

### **There are several ways to contact our office:**

First, you may telephone our office Monday through Friday from 8:00 a.m. to 4:30 p.m. at (651) 296-3353 (Twin Cities Calling Area) or (800) 657-3787 (Outside the Twin Cities). Our phones are answered by trained consumer specialists who may be able to answer your questions or point you in the right direction.

Second, you may write a letter to the Office. Your letter should provide the name and contact information of the company you are having trouble with, an explanation of what the problem is, and pertinent information about the amount of your loan and the nature of your problem. You may send this letter to our office at the following address:

**Office of Minnesota Attorney General Keith Ellison**

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

Third, a Consumer Assistance Request Form is available at: [www.ag.state.mn.us/Office/Forms/ConsumerAssistanceRequest.asp](http://www.ag.state.mn.us/Office/Forms/ConsumerAssistanceRequest.asp). You may submit it online or mail it to our office as follows:

**Office of Minnesota Attorney General Keith Ellison**

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

## Glossary

from [StudentAid.gov](http://StudentAid.gov) Glossary

### Administrative Wage Garnishment (AWG)

A tool that allows the federal government or your guaranty agency to have your employer withhold a portion of your earnings to collect unpaid non-tax debts that you owe to the federal government. If you have a federal student loan in default, up to 15 percent of your disposable pay could be taken by the federal government or your guaranty agency to repay your debt.

### Cancellation

The release of the borrower's obligation to repay all or a designated portion of principal and interest on a student loan. Also called discharge or forgiveness of a loan.

### Collection Costs

Expenses charged on defaulted federal student loans that are added to the outstanding principal balance of the loan. These expenses can be up to 18.5 percent of the principal and interest for defaulted Direct Loans or FFEL Program loans and may exceed 18.5 percent for defaulted Federal Perkins Loans and Health and Human Service (HHS) loans.

### Consolidation

The process of combining one or more loans into a single new loan.

### Cosigner

A cosigner is someone who shares responsibility with the student borrower for repaying the loan in the event that the student is unable to make student loan payments.

## Default

Failure to repay a loan according to the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than 270 days. You may experience serious legal consequences if you default.

## Deferment

A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue on Direct Subsidized Loans, Subsidized Federal Stafford Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s).

## Direct Consolidation Loan

A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan. As a result of consolidation, you will have to make only one payment each month on your federal loans, and the amount of time you have to repay your loan will be extended.

## Direct Loan

A federal student loan, made through the William D. Ford Federal Direct Loan Program, for which eligible students and parents borrow directly from the U.S. Department of Education at participating schools. Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans are types of Direct Loans.

## Direct PLUS Loan

A loan made by the U.S. Department of Education to graduate or professional students and parents of dependent undergraduate students. The borrower is fully responsible for paying the interest regardless of the loan status.

## Discharge

The release of a borrower from the obligation to repay their loan.

## Discretionary Income

For Income-Based Repayment, Pay As You Earn, and loan rehabilitation, discretionary income is the difference between your income and 150 percent of the poverty guideline for your family size and state of residence.

For Income-Contingent Repayment, discretionary income is the difference between your income and 100 percent of the poverty guideline for your family size and state of residence.

The poverty guidelines are maintained by the U.S. Department of Health and Human Services and are available at [www.aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines](http://www.aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines).

## Federal Perkins Loan

A federal student loan, made by the recipient's school, for undergraduate and graduate students who demonstrate financial need. The federal Perkins Loan program expired on September 30, 2017.

## Federal Student Loan

A loan funded by the federal government to help pay for your education. A federal student loan is borrowed money you must repay with interest.

## Forbearance

A period during which your monthly loan payments are temporarily suspended or reduced. Your lender may grant you a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships. During forbearance, principal payments are postponed but interest continues to accrue. Unpaid interest that accrues during the forbearance will be added to the principal balance (capitalized) of your loan(s), increasing the total amount you owe.

## Grace Period

A period of time after borrowers graduate, leave school, or drop below half-time enrollment where they are not required to make payments on certain federal student loans. Some federal student loans will accrue interest during the grace period, and if the interest is unpaid, it will be added to the principal balance of the loan when the repayment period begins.

## Grant

Financial aid, often based on financial need, that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

## Interest

A loan expense charged for the use of borrowed money. Interest is paid by a borrower to a lender. The expense is calculated as a percentage of the unpaid principal amount of the loan.

## Interest Rate

The percentage at which interest is calculated on your loan(s).

## Loan Servicer

A company that collects payments, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a federal student loan on behalf of a lender. If you're unsure of who your federal student loan servicer is, you can look it up in My Federal Student Aid (<https://studentaid.gov/fsa-id/sign-in/landing>).

## Partial Financial Hardship

An eligibility requirement for the Income-Based Repayment (IBR) and Pay As You Earn plans.

For IBR, a circumstance in which the annual amount due on your eligible loans, as calculated under a 10-year Standard Repayment Plan, exceeds 15 percent of the difference between your adjusted gross income and 150 percent of the poverty line for your family size in the state where you live.

For Pay As You Earn, a circumstance in which the annual amount due on your eligible loans, as calculated under a 10-year Standard Repayment Plan, exceeds 10 percent of the difference between your adjusted gross income and 150 percent of the poverty line for your family size in the state where you live.

For both plans, the amount that would be due under a 10-year Standard Repayment Plan is calculated based on the greater of the amount owed on your eligible loans when you originally entered repayment, or the amount owed at the time you selected the IBR or Pay As You Earn plan.

## PLUS Loan

A loan available to graduate students and parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status.

## Private Loan

A non-federal loan made by a lender such as a bank, credit union, state agency, or school.

## Rehabilitation

The process of bringing a loan out of default and removing the default notation from a borrower's credit report. To rehabilitate a Direct or a FFEL Loan, the borrower must make at least nine full payments of an agreed amount within 20 days of their monthly due dates over a 10-month period. To rehabilitate a Perkins Loan, a borrower must make nine on-time, consecutive monthly payments of an agreed-upon amount. Rehabilitation terms and conditions vary for other loan types and can be obtained directly from loan holders.

## Scholarship

Money awarded to students based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.

## Subsidized Loan

A loan based on financial need for which the federal government pays the interest that accrues while the borrower is in an in-school, grace, or deferment status. For Direct Subsidized Loans first disbursed between July 1, 2012, and July 1, 2014, the borrower will be responsible for paying any interest that accrues during the grace period. If the interest is not paid during the grace period, the interest will be added to the loan's principal balance.

## Unsubsidized Loan

A loan for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.

# Index of Resources

## Website References

- 1 Preparing for College: <https://studentaid.gov/resources/prepare-for-college>
- 2 Careers: <https://studentaid.gov/resources/prepare-for-college/students/career-search>
- 3 Types of Schools: <https://studentaid.gov/resources/prepare-for-college/students/choosing-schools>
- 4 Checklists: <https://studentaid.gov/resources/prepare-for-college/checklists>
- 5 Complete College Costs: [www.consumerfinance.gov/paying-for-college](http://www.consumerfinance.gov/paying-for-college)
- 6 Types of Student Aid: <https://studentaid.gov/understand-aid/types>
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- 10 Paying for College: [www.ohe.state.mn.us/mPg.cfm?pageID=888](http://www.ohe.state.mn.us/mPg.cfm?pageID=888)
- 11 FAFSA Application: <https://studentaid.gov/h/apply-for-aid/fafsa>
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- 14 Cosigning a Loan: [www.ag.state.mn.us/Consumer/Publications/CosigningALoan.asp](http://www.ag.state.mn.us/Consumer/Publications/CosigningALoan.asp)
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- 16 Scholarship and Financial Aid Scams: <https://consumer.ftc.gov/articles/how-avoid-scholarship-financial-aid-scams>
- 17 Federal and Private loans: <https://studentaid.gov/understand-aid/types/loans/federal-vs-private>
- 18 Subsidized and Unsubsidized Loans: <https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized>
- 19 PLUS Loans: <https://studentaid.gov/understand-aid/types/loans/plus>
- 20 Consolidation Loans: <https://studentaid.gov/app/launchConsolidation.action>
- 21 Free Annual Credit Report: [www.annualcreditreport.com](http://www.annualcreditreport.com)
- 22 Minnesota Office of Higher Education - Contact Information: [www.ohe.state.mn.us/sPages/oheContact.cfm](http://www.ohe.state.mn.us/sPages/oheContact.cfm)
- 23 When Repayment Begins: <https://studentaid.gov/manage-loans/repayment#when-begin>
- 24 Standard Repayment Plan: <https://studentaid.gov/manage-loans/repayment/plans/standard>
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- 30 Disputes: <https://studentaid.gov/feedback-ombudsman/disputes>
- 31 Ombudsman Programs:  
[www.studentloanborrowerassistance.org/resources/referral-resource/ombudsman-programs](http://www.studentloanborrowerassistance.org/resources/referral-resource/ombudsman-programs)
- 32 Provide Feedback about Your Loan Servicer: <https://studentaid.gov/feedback-center/>

- 33 Student Loan Assistance Scams:  
[www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp](http://www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp)
- 34 Deferments and Forbearance: <https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief>
- 35 Consolidation—Federal: <https://studentaid.gov/app/launchConsolidation.action>
- 36 Consolidation—Private: <https://www.consumerfinance.gov/ask-cfpb/should-i-consolidate-refinance-student-loans-en-561/>
- 37 Forgiveness: <https://studentaid.gov/manage-loans/forgiveness-cancellation>
- 38 Disability: <https://studentaid.gov/manage-loans/forgiveness-cancellation/disability-discharge>
- 39 Public Service: <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service>
- 40 Teachers: <https://studentaid.gov/manage-loans/forgiveness-cancellation/teacher>
- 41 Income-driven: <https://studentaid.gov/manage-loans/repayment/plans/income-driven>
- 42 Closed School: <https://studentaid.gov/manage-loans/forgiveness-cancellation/closed-school>
- 43 Minnesota Office of Higher Education: [www.ohe.state.mn.us/mPg.cfm?pageID=2216](http://www.ohe.state.mn.us/mPg.cfm?pageID=2216)
- 44 Borrower Defense: <https://studentaid.gov/borrower-defense/>
- 45 Holder Rule: [www.ag.state.mn.us/Consumer/Publications/HolderRule.asp](http://www.ag.state.mn.us/Consumer/Publications/HolderRule.asp)
- 46 Consequences of Default: <https://studentaid.gov/manage-loans/default>
- 47 Default: <https://studentaid.gov/manage-loans/default>
- 48 Options to Get Out of Default: <https://studentaid.gov/manage-loans/default/get-out>
- 49 Rehabilitation: [www.studentloanborrowerassistance.org/repayment/repaying-out-of-default/rehabilitation/](http://www.studentloanborrowerassistance.org/repayment/repaying-out-of-default/rehabilitation/)
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- 53 Collection Agencies: <https://myeddebt.ed.gov>
- 54 Collections: <https://studentaid.gov/manage-loans/default/collections>
- 55 Tax Offsets: [www.studentloanborrowerassistance.org/collections/government-collection-tools/tax-offsets](http://www.studentloanborrowerassistance.org/collections/government-collection-tools/tax-offsets)
- 56 Treasury Offset Program: [www.fiscal.treasury.gov/top/faqs-for-the-public.html](http://www.fiscal.treasury.gov/top/faqs-for-the-public.html)
- 57 Dealing with Debt Collectors: [www.consumerfinance.gov/ask-cfpb/what-are-my-options-debt-collection-agency-contacts-me-about-student-loans-en-655/](http://www.consumerfinance.gov/ask-cfpb/what-are-my-options-debt-collection-agency-contacts-me-about-student-loans-en-655/)
- 58 Collection Agencies:  
[www.studentaid.gov/data-center/business-info/contracts/collection-agency](https://studentaid.gov/data-center/business-info/contracts/collection-agency)
- 59 Debt Collection Fact Sheet: [www.ag.state.mn.us/Consumer/Publications/DebtFactSheet.asp](http://www.ag.state.mn.us/Consumer/Publications/DebtFactSheet.asp)
- 60 The Credit Handbook: [www.ag.state.mn.us/Consumer/Handbooks/CreditHnbk/default.asp](http://www.ag.state.mn.us/Consumer/Handbooks/CreditHnbk/default.asp)
- 61 Student Loan Assistance Scams:  
[www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp](http://www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp)

## Publications from the Minnesota Attorney General's Office

- Cosigning a Loan: [www.ag.state.mn.us/Consumer/Publications/CosigningALoan.asp](http://www.ag.state.mn.us/Consumer/Publications/CosigningALoan.asp)
- For Profit Colleges: [www.ag.state.mn.us/Consumer/Publications/ForProfitColleges.asp](http://www.ag.state.mn.us/Consumer/Publications/ForProfitColleges.asp)
- Scholarship and Financial Aid Scams: [www.ag.state.mn.us/Consumer/Publications/ScholarAid.asp](http://www.ag.state.mn.us/Consumer/Publications/ScholarAid.asp)
- Debt Collection Fact Sheet: [www.ag.state.mn.us/Consumer/Publications/DebtFactSheet.asp](http://www.ag.state.mn.us/Consumer/Publications/DebtFactSheet.asp)
- The Credit Handbook: [www.ag.state.mn.us/Consumer/Handbooks/CreditHnbk/default.asp](http://www.ag.state.mn.us/Consumer/Handbooks/CreditHnbk/default.asp)
- Student Loan Assistance Scams:  
[www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp](http://www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp)

## Contact Information

### United States Department of Education

400 Maryland Avenue SW  
Washington, DC 20202  
[www.studentaid.gov/help-center/contact](http://www.studentaid.gov/help-center/contact)

### Consumer Financial Protection Bureau

1700 G Street NW  
Washington, DC 20552  
(855) 411-CFPB (2372)  
[www.consumerfinance.gov/about-us/contact-us/](http://www.consumerfinance.gov/about-us/contact-us/)

### Minnesota Office of Higher Education

1450 Energy Park Drive, Suite 350  
St. Paul, MN 55108-5227  
(651) 642-0567 or (800) 657-3866  
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### Office of Minnesota Attorney General

**Keith Ellison**  
445 Minnesota Street, Suite 1400, St. Paul, MN 55101  
(651) 296-3353 (Twin Cities Calling Area)  
(800) 657-3787 (Outside the Twin Cities)  
(800) 627-3529 (Minnesota Relay)  
[www.ag.state.mn.us](http://www.ag.state.mn.us)

## Consumer Questions or Complaints

The Minnesota Attorney General's Office answers questions regarding numerous consumer issues. The Attorney General's Office also provides assistance in resolving disputes between Minnesota consumers and businesses and uses information from consumers to enforce the state's civil laws. We welcome your calls!

**If you have a consumer complaint, you may contact the Attorney General's Office in writing:**

Minnesota Attorney General's Office  
445 Minnesota Street, Suite 1400  
St. Paul, MN 55101

**You can also receive direct assistance from a consumer specialist by calling:**

(651) 296-3353 (Twin Cities Calling Area)  
(800) 657-3787 (Outside the Twin Cities)  
(800) 627-3529 (Minnesota Relay)

## Additional Publications

Additional consumer publications are available from the Minnesota Attorney General's Office. Contact us to receive copies or preview the publications on our website at [www.ag.state.mn.us](http://www.ag.state.mn.us).

- Car Handbook\*
- Conciliation Court\*
- Credit Handbook
- Guarding Your Privacy: Tips to Prevent Identity Theft
- Home Building and Remodeling
- Home Buyer's Handbook
- Home Seller's Handbook
- Landlords and Tenants: Rights and Responsibilities\*
- Managing Your Health Care
- Manufactured Home Parks\*
- Minnesota's Car Laws
- Phone Handbook
- Probate and Planning: A Guide to Planning for the Future
- Seniors' Legal Rights
- Student Loan Handbook
- Veterans and Service Members

*\*Available in Spanish*



The Office of  
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