



# STUDENT LOAN HANDBOOK

FROM THE OFFICE OF  
MINNESOTA ATTORNEY GENERAL  
KEITH ELLISON

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

# Introduction

---

*The cost of attending college has skyrocketed—over 1,000 percent in 30 years—faster than the rate of inflation. Many students and their families must borrow money to pay for college. Student loan debt in the United States now tops \$1 trillion, and student loan debt is now the second largest form of consumer debt—second only to home mortgage 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.

The Minnesota Attorney General's Office values diversity and is an equal opportunity employer.

**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)

# Table of Contents

---

## **Paying For and Selecting a College** ..... 1

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.

|   |   |
|---|---|
| Do Your Homework.....                           | 1 |
| Know and Compare the Complete College Cost..... | 1 |
| Apply for Financial Aid.....                    | 1 |
| Keep the Following in Mind.....                 | 2 |
| Cosigning a Loan.....                           | 2 |
| For-Profit Colleges .....                       | 3 |
| Beware of Financial Aid Scams! .....            | 3 |
| Watch Out for Scholarship Scams!.....           | 3 |

## **Federal Loans, Private Loans, and How to Tell the Difference**.....3

There are a variety of student loan programs for students and their families. There are several federal loan programs, as well as private loans available through financial lenders, states, or schools. Federal loans are usually 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.

|  |   |
|--|---|
| Know Your Loans.....                                   | 3 |
| Federal Student Loans.....                             | 4 |
| Non-Federal Loans—Private or State Student Loans ..... | 4 |
| How to Determine Your Loan Type.....                   | 5 |

## **Repayment Plans** .....6

At some point, perhaps even before graduation, your student loans will have to be repaid. This section provides resources for learning about your repayment options for both federal and private student loans.

|   |   |
|---|---|
| When will your loan payments begin? .....           | 6 |
| What will be the amount of your loan payments?..... | 6 |
| Choosing a Repayment Option.....                    | 7 |
| Private Student Loans.....                          | 8 |

## Student Loan Servicers and Ombudsman Offices .....8

Student loan servicers collect payments and administer student loans. Unfortunately, loan servicers are not always easy to work with. In this section, you can find out how student loan servicers *should* help you. If you have problems with your loan servicer, federal ombudsman offices as well as some other resources often can provide help.

|                                     |    |
|-------------------------------------|----|
| Student Loan Servicers.....         | 8  |
| Ombudsman Offices.....              | 9  |
| Other Assistance.....               | 10 |
| Beware of Financial Aid Scams!..... | 10 |

## If You Can't Repay Your Loan ..... 11

Circumstances can arise that make it difficult to make your loan payments. If you have trouble making payments, you can request help to try to avoid going into default. Some options for federal loans may include changing your repayment plan, obtaining a forbearance, or getting a deferment. These options may or may not apply to private and non-federal loans.

|                    |    |
|--------------------|----|
| Private Loans..... | 12 |
|--------------------|----|

## Loan Consolidation Programs .....12

Many students take out multiple student loans. Consolidating those loans into one loan with one monthly payment can be a good option in some situations. Consolidation is not always the best option, however. Options will differ depending on whether you have federal loans or private loans. Additional options may be available for Minnesota residents. This section provides information you may find useful for exploring your consolidation options.

|                                  |    |
|----------------------------------|----|
| Federal Student Loans.....       | 12 |
| Beware of Possible Scams!.....   | 12 |
| Non-Federal Student Loans.....   | 12 |
| Minnesota SELF Refi Program..... | 13 |

## Loan Cancellation/Forgiveness Programs.....13

Some borrowers may qualify to have their student loans forgiven or cancelled in certain situations. A cancelled or forgiven loan does not have to be repaid. Situations which may make federal loans eligible for forgiveness include total and permanent disability, working in certain public service or teaching positions, closure of your school, or enrollment in an income-driven repayment plan.

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.

|   |    |
|---|----|
| Forgiveness Programs for Federal Student Loans.....           | 13 |
| Loan Forgiveness May Be Taxable in Certain Circumstances..... | 15 |

## If Your Loan Defaults .....16

Borrowers who do not make their student loan payments for a set period of time are considered to be in default. Consequences of default can have a negative effect on a borrower’s finances, and could include collection actions, a damaged credit rating, wage garnishment, or legal action. Options for getting out of default may include rehabilitation or consolidation. This section discusses these possible options.

|   |    |
|---|----|
| Possible Options if You Have a Federal Student Loan.....  | 16 |
| Possible Options if You Have a Private Student Loan ..... | 17 |
| If Your Loan is Cosigned.....                             | 17 |

## Collection Activities .....17

When a loan defaults, the debt may be referred to a collection agency. This section discusses collection actions and dealing with debt collectors.

|                                   |    |
|-----------------------------------|----|
| Federal Loans .....               | 17 |
| Private Loans.....                | 17 |
| Dealing with Debt Collectors..... | 18 |

## Additional Information and Assistance.....18

There are several organizations and resources to assist borrowers who have concerns about their student loans. While many of these resources and organizations are legitimate and can be helpful, it is important to be wary of student loan assistance companies that charge fees to do what you can do for free. This section provides contact information for some organizations that may be able to provide assistance.

|   |    |
|---|----|
| Scam Alert!.....  | 18 |
| United States Department of Education .....               | 19 |
| Federal Consumer Financial Protection Bureau (CFPB) ..... | 19 |
| National Consumer Law Center (NCLC).....                  | 19 |
| Lutheran Social Services .....                            | 19 |
| Minnesota Office of Higher Education.....                 | 20 |
| Minnesota Attorney General’s Office.....                  | 20 |

### Getting help from the 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 5:00 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

Or you may email your letter to: [attorney.general@ag.state.mn.us](mailto:attorney.general@ag.state.mn.us)

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

**Office of Minnesota Attorney General Keith Ellison**

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

[attorney.general@ag.state.mn.us](mailto:attorney.general@ag.state.mn.us)

**Glossary .....21**

This section provides definitions from the *StudentAid.gov* glossary for many of the terms used in this publication and referenced websites.

**Index of Resources.....25**

This is a listing of websites, publications, and contact information referenced in this handbook.

Website References..... 25

Publications from the Minnesota Attorney General’s Office ..... 27

Contact Information..... 27

# 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 for college is often difficult for families. Making smart decisions now will mean fewer surprises that can add up later.*

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

- Why do I want to go to college?
- What career<sup>2</sup> interests me?
- What type of school<sup>3</sup> will prepare me for that career?  
Technical school? Community college? A four-year college? A university?
- Do I have the academic preparation<sup>4</sup> for the school and career I am considering?
- Do I understand the costs of the college I am considering, and have I compared it with other schools?



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

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

Determine the total program cost to attend your chosen college. Consider the following:

- What is the total cost of the program, including tuition, room and board, fees, books and supplies, transportation, and personal items?
- Is the cost reasonable for the training provided?
- Will the school adequately prepare you for obtaining a job in your chosen field?



Work with your high school guidance counselor or your college financial aid office to help determine the complete college cost. The federal Consumer Financial Protection Bureau also 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.

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

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. Grants such as 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 your college financial aid department to discuss your options.

An early eligibility estimator is available to help you plan ahead for paying for college. You may find the estimator at this webpage: [www.studentaid.ed.gov/sa/fafsa/estimate](http://www.studentaid.ed.gov/sa/fafsa/estimate). The U.S. Department of Education has also prepared FAFSA4caster to help you understand your options for paying for college. The FAFSA4caster may be found at [fafsa.ed.gov/FAFSA/app/f4cForm](http://fafsa.ed.gov/FAFSA/app/f4cForm).

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. Research the starting salaries in your field to make sure you can reasonably repay the loans after you leave school.

### 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.

For most borrowers, federal student loans are an option. Federal loans, including Direct (subsidized and unsubsidized), Perkins, 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.

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.ed.gov/sa/types/loans](http://www.studentaid.ed.gov/sa/types/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.**

### Be cautious about taking private student loans.

Some private lenders issue student loans. Private student loans often have 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 over the past couple of 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.ed.gov/sa/types/loans/federal-vs-private](http://www.studentaid.ed.gov/sa/types/loans/federal-vs-private).

## Cosigning A Loan<sup>14</sup>

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>



## For-Profit Colleges<sup>15</sup>

A degree or certificate at a for-profit college can be considerably more expensive than at a comparable public 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 its accreditation means anything. Before you enroll in a for-profit institute, review the Minnesota Attorney General's Office flyer entitled *For-Profit Colleges: Do Your Homework*<sup>15</sup> for more information.



### Beware of Financial Aid Scams!<sup>16</sup>

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 ([www.fafsa.ed.gov](http://www.fafsa.ed.gov)), 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!<sup>16</sup>

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 papers—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. Today, federal student loans are issued directly from the U.S. Department of Education. The federal government is your lender, unlike the past when the federal government guaranteed the loans, but used private lenders as “middlemen” to issue the loans. The Department has four types of federal student loan programs: Direct Loans, Direct PLUS Loans, Direct Consolidation Loans, and Perkins 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<sup>18</sup>** 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<sup>18</sup>** 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 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. Private loans and parental loans cannot be consolidated into a Direct Consolidation Loan.

### Federal Perkins Loans<sup>21</sup>

Federal Perkins Loans are low-interest loans for undergraduates and graduate students who demonstrate exceptional financial need. Under this program, the school is the lender. The Perkins Loan Program expired in September 2017 for new borrowers. If you have questions about a Perkins Loan, contact your school’s financial aid office or the U.S. Department of Education at (800) 433-3243 or (866) 313-3797 for more information.

## Non-Federal Loans—Private or State Student Loans

Private student loans are any other type of student loans that are not federal loans. Banks, credit unions, state agencies, colleges, universities, and post-secondary institutions all make private loans. Private loans are generally more expensive than federal student loans, and usually offer few repayment options and fewer default protections. In Minnesota, there are two types of non-federal student loans:

## Private Loans

Private Loans may be offered by private financial lenders, such as a bank or credit union or offered directly by a school. In general, private loans are more expensive than federal student loans, and eligibility often depends on your credit history. Many private student loans require a cosigner and require payments while you are still in school. The interest on private loans may be variable. A variable interest rate means the rate can go up as interest rates in the marketplace rise. A higher interest rate means higher monthly payments and bigger loan balances. There may be fewer protections and fewer repayment options for private student loans as compared to federal student loans.

## SELF Program

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<sup>15</sup> 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<sup>22</sup>

Keep copies of your student loan papers. 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

Visit the National Student Loan Data System's (NSLDS) website at [www.nsls.ed.gov/nsls/nsls\\_SA](http://www.nsls.ed.gov/nsls/nsls_SA) to get a list of all your federal student loans. The NSLDS is the U.S. Department of Education's central database for all federal student loans. It receives data from schools, guaranty agencies, the Direct Loan program, and other Department programs. The NSLDS tracks federal student loans from the time you apply to the time you complete repayment. All federal student loans can be found through this database. You may contact the NSLDS as follows:

You can obtain a list  
of your federal loans  
by visiting the  
NSLDS Database.

## National Student Loan Data System

(800) 4-FED-AID (800-433-3243)

studentaid@ed.gov

www.nsls.ed.gov/nsls/nsls\_SA/

### Non-Federal Loans

If you cannot locate your loan through the NSLDS, you probably have a private or state student loan. To locate more information about your private student loans, try viewing a free copy of your credit report,<sup>23</sup> get in touch with your school's financial aid office, or contact the Minnesota Office of Higher Education<sup>24</sup> to see if they can help you to identify your student loans.

## Repayment Plans

*How soon you must pay and the amount of your payments will depend upon your student loan types and sometimes your current earning situation. You must repay your loans even if you did not complete your schooling, cannot find a job in your area of study, or are dissatisfied with your education.*



- 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 more repayment options than private loans.

### When will your loan payments begin?<sup>25</sup>

How soon you must repay your student loan depends 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.

**PLUS Direct 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.

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

### 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.

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

- **Standard Repayment Plan:**<sup>26</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.
- **Graduated Repayment Plan:**<sup>27</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.
- **Extended Repayment Plan:**<sup>28</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.
- **Income Based Repayment Plan (IBR):**<sup>29</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.
- **Income Contingent Repayment Plan (ICR):**<sup>29</sup> 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.
- **Pay as Your Earn Repayment (PAYE) and Revised Pay as Your Earn (REPAYE):**<sup>29</sup> 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. Pay as you earn will also forgive the remaining debt after 20 or 25 years of qualifying payments.

## Choosing a Repayment Option<sup>30</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 repay option webpage at [www.studentloans.gov/myDirectLoan/repayOptions.action](http://www.studentloans.gov/myDirectLoan/repayOptions.action). 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.

A repayment estimator tool is available from the U.S. Department of Education at [www.studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action](http://www.studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action). This tool can tell you what your payments would be under the repayment plan based on the amount of the loan.

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

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

## Student Loan Servicers<sup>31</sup>

Student loan servicers are companies that collect payments and administer a student loan. After a federal loan is disbursed, the U.S. Department of Education assigns it to a loan servicer. For non-federal student loans, the servicer may be your original lender, or it may be a different company. The monthly bill you receive for your student loan repayment is likely from your student loan servicer.

### To find your student loan servicer:

- For federal loans—Log into the National Student Loan Data System (NSLDS) to look up your federal student loans and determine your federal student loan servicer ([www.nsls.ed.gov/nsls/nsls\\_SA/](http://www.nsls.ed.gov/nsls/nsls_SA/)).
- 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 your questions 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.



- 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!**

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

Unfortunately, many students and borrowers report that loan servicers can be hard to work with. They may lose paperwork, not return calls, repeatedly ask for the same information, or not provide help with repayment plans.

### Here are some suggestions for working with student loan servicers:<sup>32</sup>

- Don't ignore letters 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.**

### Ombudsman Offices<sup>33</sup>

If you are having problems with your student loan servicer, 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,<sup>33</sup> 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>34</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

*www.ed.gov*

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  
*feedback.studentaid.ed.gov*

## 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*). 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/*

## 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 skype options are available. Contact the Lutheran Social Services Student Loan Counseling Program online at *www.lssmn.org/studentloancounseling* 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*) 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)  
(800) 657-3787 (Outside the Twin Cities)  
(800) 627-3529 (Minnesota Relay)





## Beware of Financial Aid Scams!

Avoid private companies that offer “student loan assistance help” by charging borrowers hundreds or thousands of dollars for services the borrower could receive free of charge. 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>35</sup>

## 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:*

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



### Key Points

- Forbearance may be an option in the event of a short-term hardship.
- You may be able to postpone paying back your student loans in certain circumstances.

### Change Your Repayment Plan

Ask whether any alternative repayment program is available to lower your monthly payments.

### Forbearance<sup>36</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. While your payments may be suspended or reduced, interest will continue to accrue on your federal loans.

### Deferment<sup>36</sup>

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.

Loan servicers are supposed to work with borrowers. Unfortunately, they do not always do so appropriately. Borrowers sometimes try to contact a loan servicer to learn more about repayment plans, forbearance, and deferment options, only to face unreturned phone calls, lost paperwork, and other hassles. If you have federal student loans and the loan servicer is not helpful, contact the U.S. Department of Education at: (800) 4FED-AID (800-433-3243) about your forbearance or deferment options.

## 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.

## Loan Consolidation Programs

### Federal Student Loans<sup>37</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 Loan Consolidation Information Call Center at (800) 557-7392.



- 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>38</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. If you consolidate or refinance your federal loans with a private lender, you give up certain benefits and protections that the federal government gives to federal student loans.

## Minnesota SELF Refi Program

If you are a Minnesota resident with private or federal student loans, the Minnesota Legislature provided funding for 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

www.selfrefi.state.mn.us

## Loan Cancellation/Forgiveness Programs

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

### Key Points

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

### Forgiveness programs for federal student loans include:<sup>39</sup>

#### Total and Permanent Disability<sup>40</sup>

Your federal loan may be cancelled for total and permanent disability that is established one of three ways:

- You have certification from a physician that you are unable to work and the condition has lasted or is expected to last for a continuous period of not less than 60 months;
- You are receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits; or
- If you are a veteran, you may submit documentation from the U.S. Department of Veterans Affairs (VA) that shows that the VA has determined you are unemployable due to a service-connected disability.

## Public Service Loan Forgiveness<sup>41</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>42</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.

## Income-Driven Repayment Plan<sup>43</sup>

If you are enrolled in an income-driven repayment plan, like “income-based repayment” or “income-contingent repayment,” 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>44</sup>

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

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

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

- (a) withdrew more than 120 days before the school closed;
- (b) 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
- (c) 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.<sup>44</sup>

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>45</sup>

## Borrower Defense to Repayment for Federal Loans<sup>46</sup>

Since 1995, federal law has provided that students may submit a claim to the U.S. Department of Education (“Department”) 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 administers the borrower defense program. Information on how to apply for the program or download an application is available on the Department’s website.<sup>46</sup>

While in 2016 the Department issued new regulations making it easier for borrowers to apply for and obtain loan forgiveness in cases of fraud by their school, these regulations were put on hold by the Department in 2017. The Department also has incurred large backlogs of borrower-defense applications since 2016, with many applicants having to wait over a year for their applications to be processed. The Department also announced in December 2017 that successful applicants may only receive partial relief based on the relationship between the applicant’s income and general graduate-income statistics for the program the applicant attended.

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, you may also call the federal government’s borrower defense hotline at (855) 279-6207 or send an email to [FSAOperations@ed.gov](mailto:FSAOperations@ed.gov).

## Borrower Defense to Repayment for Private Loans<sup>47</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.

There is one exception to this, however. The federal Holder Rule<sup>47</sup> was adopted by the Federal Trade Commission (FTC) to (in certain cases) provide options to consumers who otherwise would be legally obligated to make full payment to a creditor despite breach of warranty, misrepresentation, or even fraud on the part of the seller. Students who took out private student loans and believe their school made false representations to persuade them to take out those loans may wish to seek a remedy under the Holder Rule.<sup>47</sup> The Federal Trade Commission has stated that student loans are within the scope of the Holder Rule.

## Loan Forgiveness May Be Taxable in Certain Circumstances<sup>48</sup>

If your loan is forgiven or cancelled, some or all of the forgiven loan amount may be considered taxable income. Loan amounts forgiven pursuant to the Public Service Loan Forgiveness Program, however, are not taxable—according to the IRS. If this is a concern to you, you may wish to check with an accountant concerning the tax consequences of private loan forgiveness.



**Beware of possible scams!**

# If Your Loan Defaults



*Failure to make payments on your student loan can have significant consequences.<sup>49</sup> Your loan will be considered in default<sup>50</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>51</sup>

### Rehabilitation<sup>52</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>53</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>54</sup> may be completed either online or on paper. To complete the online application or to download a paper application, go to [www.studentloans.gov/myDirectLoan/launchConsolidation.action](http://www.studentloans.gov/myDirectLoan/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 on loan consolidation, consult the Loan Consolidation Programs section on page 12 of this publication.

## Possible Options if You Have a Private Student Loan<sup>55</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>56</sup> and collection costs will be added to your loan.*

Collection costs will be added to your loan.

### Federal Loans<sup>57</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>58</sup>
- The federal government may offset or deduct from certain federal benefits,<sup>59</sup> including Social Security benefits; and
- You may be denied future requests for federal financial aid.

#### Key Points

- 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.

### Private Loans<sup>55</sup>

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>60</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>61</sup> know your rights. Review this Office's *Debt Collection Fact Sheet*<sup>62</sup> and *The Credit Handbook*<sup>63</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.feedback.studentaid.ed.gov](http://www.feedback.studentaid.ed.gov)

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>64</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.ed.gov*

## 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/*

## 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*) 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.nclc.org/issues/student-loans.html*

## 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 skype 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/studentloancounseling*

## 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*

## 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 5:00 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

Or you may email your letter to: [attorney.general@ag.state.mn.us](mailto:attorney.general@ag.state.mn.us)

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

**Office of Minnesota Attorney General Keith Ellison**

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

[attorney.general@ag.state.mn.us](mailto:attorney.general@ag.state.mn.us)

# Glossary

*from 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 his or her 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/poverty](http://www.aspe.hhs.gov/poverty).

## 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 ([www.studentaid.ed.gov/log-in](http://www.studentaid.ed.gov/log-in)).

## 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

### Preparing to Pay for College

- 1 Preparing for College: [www.studentaid.ed.gov/sa/prepare-for-college](http://www.studentaid.ed.gov/sa/prepare-for-college)
- 2 Careers: [www.studentaid.ed.gov/sa/prepare-for-college/careers/search](http://www.studentaid.ed.gov/sa/prepare-for-college/careers/search)
- 3 Types of Schools: [www.studentaid.ed.gov/sa/prepare-for-college/choosing-schools/types](http://www.studentaid.ed.gov/sa/prepare-for-college/choosing-schools/types)
- 4 Checklists: [www.studentaid.ed.gov/sa/prepare-for-college/checklists](http://www.studentaid.ed.gov/sa/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: [www.studentaid.ed.gov/sa/types](http://www.studentaid.ed.gov/sa/types)
- 7 Tax Benefits: [www.studentaid.ed.gov/sa/types/tax-benefits](http://www.studentaid.ed.gov/sa/types/tax-benefits)
- 8 Grants and Scholarships: [www.studentaid.ed.gov/sa/types/grants-scholarships](http://www.studentaid.ed.gov/sa/types/grants-scholarships)
- 9 Work-study: [www.studentaid.ed.gov/sa/types/work-study](http://www.studentaid.ed.gov/sa/types/work-study)
- 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: [www.fafsa.ed.gov](http://www.fafsa.ed.gov)
- 12 Student Aid Scams: [www.studentaid.ed.gov/sa/types/scams](http://www.studentaid.ed.gov/sa/types/scams)
- 13 Federal Student Loan Types: [www.studentaid.ed.gov/sa/types/loans](http://www.studentaid.ed.gov/sa/types/loans)
- 14 Cosigning a Loan: [www.ag.state.mn.us/Consumer/Publications/CosigningALoan.asp](http://www.ag.state.mn.us/Consumer/Publications/CosigningALoan.asp)
- 15 For-Profit Colleges: [www.ag.state.mn.us/Consumer/Publications/ForProfitColleges.asp](http://www.ag.state.mn.us/Consumer/Publications/ForProfitColleges.asp)
- 16 Scholarship and Financial Aid Scams: [www.consumer.ftc.gov/financialaid](http://www.consumer.ftc.gov/financialaid)

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

- 17 Federal and Private loans: [www.studentaid.ed.gov/sa/types/loans/federal-vs-private](http://www.studentaid.ed.gov/sa/types/loans/federal-vs-private)
- 18 Subsidized and Unsubsidized Loans: [www.studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized](http://www.studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized)
- 19 PLUS Loans: [www.studentaid.ed.gov/sa/types/loans/plus](http://www.studentaid.ed.gov/sa/types/loans/plus)
- 20 Consolidation Loans: [www.studentaid.ed.gov/sa/repay-loans/consolidation](http://www.studentaid.ed.gov/sa/repay-loans/consolidation)
- 21 Perkins Loans: [www.studentaid.ed.gov/sa/types/loans/perkins](http://www.studentaid.ed.gov/sa/types/loans/perkins)
- 22 Keep Track of Your Loans: [www.studentaid.ed.gov/sa/sites/default/files/your-federal-student-loans.pdf#page=29](http://www.studentaid.ed.gov/sa/sites/default/files/your-federal-student-loans.pdf#page=29)
- 23 Free Annual Credit Report: [www.annualcreditreport.com](http://www.annualcreditreport.com)
- 24 Minnesota Office of Higher Education - Contact Information: [www.ohe.state.mn.us/sPages/oheContact.cfm](http://www.ohe.state.mn.us/sPages/oheContact.cfm)

### Repayment Plans

- 25 When Repayment Begins: [www.studentaid.ed.gov/sa/repay-loans/understand#when-begin](http://www.studentaid.ed.gov/sa/repay-loans/understand#when-begin)
- 26 Standard Repayment Plan: [www.studentaid.ed.gov/sa/repay-loans/understand/plans/standard](http://www.studentaid.ed.gov/sa/repay-loans/understand/plans/standard)
- 27 Graduated Repayment Plan: [www.studentaid.ed.gov/sa/repay-loans/understand/plans/graduated](http://www.studentaid.ed.gov/sa/repay-loans/understand/plans/graduated)
- 28 Extended Repayment Plan: [www.studentaid.ed.gov/sa/repay-loans/understand/plans/extended](http://www.studentaid.ed.gov/sa/repay-loans/understand/plans/extended)
- 29 Income-Driven Repayment Plan: [www.studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven](http://www.studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven)
- 30 Choosing a Repayment Plan: [www.studentaid.ed.gov/sa/repay-loans/understand/plans](http://www.studentaid.ed.gov/sa/repay-loans/understand/plans)

## **Student Loan Servicers**

- 31 Student Loan Servicers: [www.studentaid.ed.gov/sa/repay-loans/understand/servicers](http://www.studentaid.ed.gov/sa/repay-loans/understand/servicers)
- 32 Disputes: [www.studentaid.ed.gov/sa/repay-loans/disputes](http://www.studentaid.ed.gov/sa/repay-loans/disputes)
- 33 Ombudsman Programs: [www.studentloanborrowerassistance.org/resources/referral-resource/ombudsman-programs](http://www.studentloanborrowerassistance.org/resources/referral-resource/ombudsman-programs)
- 34 Provide Feedback about Your Loan Servicer: [www.feedback.studentaid.ed.gov](http://www.feedback.studentaid.ed.gov)
- 35 Student Loan Assistance Scams: [www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp](http://www.ag.state.mn.us/Consumer/Publications/StudentLoanAssistanceScams.asp)

## **If You Can't Repay Your Loan**

- 36 Deferments and Forbearance: [www.studentaid.ed.gov/sa/repay-loans/deferment-forbearance](http://www.studentaid.ed.gov/sa/repay-loans/deferment-forbearance)

## **Loan Consolidation**

- 37 Consolidation—Federal: [www.studentaid.ed.gov/sa/repay-loans/consolidation](http://www.studentaid.ed.gov/sa/repay-loans/consolidation)
- 38 Consolidation—Private: [www.finaid.org/loans/privateconsolidation.phtml](http://www.finaid.org/loans/privateconsolidation.phtml)

## **Loan Cancellation/Forgiveness**

- 39 Forgiveness: [www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation](http://www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation)
- 40 Disability: [www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/disability-discharge](http://www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/disability-discharge)
- 41 Public Service: [www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service](http://www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service)
- 42 Teachers: [www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher](http://www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher)
- 43 Income-driven: [www.studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven](http://www.studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven)
- 44 Closed School: [www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/closed-school](http://www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/closed-school)
- 45 Minnesota Office of Higher Education: [www.ohe.state.mn.us/mPg.cfm?pageID=2216](http://www.ohe.state.mn.us/mPg.cfm?pageID=2216)
- 46 Borrower Defense: [www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/borrower-defense](http://www.studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/borrower-defense)
- 47 Holder Rule: [www.ag.state.mn.us/Consumer/Publications/HolderRule.asp](http://www.ag.state.mn.us/Consumer/Publications/HolderRule.asp)
- 48 Loan Forgiveness - Taxability: [www.finaid.org/loans/forgivenessstaxability.phtml](http://www.finaid.org/loans/forgivenessstaxability.phtml)

## **Defaults**

- 49 Consequences of Default: [www.studentaid.ed.gov/sa/repay-loans/default#consequences](http://www.studentaid.ed.gov/sa/repay-loans/default#consequences)
- 50 Default: [www.studentaid.ed.gov/sa/repay-loans/default](http://www.studentaid.ed.gov/sa/repay-loans/default)
- 51 Options to Get Out of Default: [www.studentaid.ed.gov/sa/repay-loans/default/get-out](http://www.studentaid.ed.gov/sa/repay-loans/default/get-out)
- 52 Rehabilitation: [www.studentloanborrowerassistance.org/collections/federal-loans/getting-out-of-default-federal/rehabilitation](http://www.studentloanborrowerassistance.org/collections/federal-loans/getting-out-of-default-federal/rehabilitation)
- 53 Consolidation: [www.studentaid.ed.gov/sa/repay-loans/consolidation](http://www.studentaid.ed.gov/sa/repay-loans/consolidation)
- 54 Consolidation Application: [www.studentloans.gov/myDirectLoan/launchConsolidation.action](http://www.studentloans.gov/myDirectLoan/launchConsolidation.action)
- 55 Delinquent Private Loans: [www.studentloanborrowerassistance.org/collections/private-loans/default-and-delinquency](http://www.studentloanborrowerassistance.org/collections/private-loans/default-and-delinquency)

## **Collection Activities**

- 56 Collection Agencies: <https://myeddebt.ed.gov>
- 57 Collections: [www.studentaid.ed.gov/sa/repay-loans/default/collections](http://www.studentaid.ed.gov/sa/repay-loans/default/collections)



- 58 Tax Offsets: [www.studentloanborrowerassistance.org/collections/government-collection-tools/tax-offsets](http://www.studentloanborrowerassistance.org/collections/government-collection-tools/tax-offsets)
- 59 Treasury Offset Program: [www.fiscal.treasury.gov/fsservices/gov/debtColl/faqs/debt\\_questions\\_top\\_pub.htm](http://www.fiscal.treasury.gov/fsservices/gov/debtColl/faqs/debt_questions_top_pub.htm)
- 60 Dealing with Debt Collectors: [www.consumerfinance.gov/askcfpb/655/what-are-my-options-when-dealing-debt-collection-agency-working-us-department-education.html](http://www.consumerfinance.gov/askcfpb/655/what-are-my-options-when-dealing-debt-collection-agency-working-us-department-education.html)
- 61 Collection Agencies: [www.studentaid.ed.gov/sa/about/data-center/business-info/contracts/collection-agency](http://www.studentaid.ed.gov/sa/about/data-center/business-info/contracts/collection-agency)
- 62 Debt Collection Fact Sheet: [www.ag.state.mn.us/Consumer/Publications/DebtFactSheet.asp](http://www.ag.state.mn.us/Consumer/Publications/DebtFactSheet.asp)
- 63 The Credit Handbook: [www.ag.state.mn.us/Comsumer/Handbooks/CreditHnbk/default.asp](http://www.ag.state.mn.us/Comsumer/Handbooks/CreditHnbk/default.asp)
- 64 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.ed.gov](http://www.ed.gov)

### 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  
Fax: (651) 642-0675  
[www.ohe.state.mn.us](http://www.ohe.state.mn.us)

### 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*

### 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)