



# **Teacher Education Assistance for College and Higher Education Grant (TEACH Grant)**

## **Exit Counseling Guide**

**December 18, 2008**

# Overview

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## What is the TEACH Grant Program?

The U.S. Department of Education’s Teacher Education Assistance for College and Higher Education Grant (TEACH Grant) Program provides funds to students who are completing or who plan to complete coursework that is required to begin a career in teaching, and who agree to teach full-time for at least four years:

- As a **highly qualified teacher**;
- At a **school serving low-income students**;
- and*
- In a **high-need field**.

If you receive a TEACH Grant but do not complete the required four years of teaching service within eight years after you complete (or otherwise cease to be enrolled in) the program for which you received the grant, all TEACH Grant funds you received will be converted to a Direct Unsubsidized Loan that you must repay with interest.

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# Direct Loan Servicing Center

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## Direct Loan Servicing Center's Responsibilities

The Department's Direct Loan Servicing Center will:

- Periodically communicate with you regarding your TEACH Grant(s) while you're completing your program of study and after you're no longer enrolled;
  - Track your progress in meeting the requirements of your TEACH Grant service obligation;
  - and*
  - Service and collect your Direct Unsubsidized Loan, if a TEACH Grant you received is converted to a loan.
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## Keeping the Direct Loan Servicing Center Informed

- It's important to keep the Direct Loan Servicing Center informed of your current address and other information. Notify the Direct Loan Servicing Center promptly of any change in your:
    - Name,
    - Address,
    - or*
    - Telephone number.
  - **Within 120 days** after you complete or otherwise cease to be enrolled in the program for which you received your TEACH Grant, you must notify Direct Loan Servicing Center in writing that you:
    - Are employed as a full-time teacher in accordance with the terms and conditions of the TEACH Grant Program;
    - or*
    - Aren't yet employed as a full-time teacher, but intend to meet the terms and conditions of your service obligation.
  - If you completed the program for which you received your TEACH Grant but aren't yet employed in a qualifying teaching position, you must notify the Direct Loan Servicing Center at least **once each year** that you still intend to satisfy your service obligation.
  - Once you begin qualifying teaching service, you must provide the Direct Loan Servicing Center with documentation of your qualifying employment **after each year** of your four years of required teaching.
    - A form for documenting your qualifying teaching service will be available from the Direct Loan Servicing Center. This form must be certified by the chief administrative officer of the school where you taught for the year being certified.
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## Direct Loan Servicing Center (continued)

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### Contact Information

#### Direct Loan Servicing Center Address:

U.S. Department of Education  
TEACH Grant Program  
P.O. Box 5609  
Greenville, TX 75403-5609

#### Direct Loan Servicing Center Phone Numbers:

- Toll free: 1-800-848-0979
- TDD: 1-800-848-0983
- Overseas/International: 011-315-738-6634

#### Direct Loan Servicing Center Web site:

<https://www.dl.ed.gov>

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## Other Resources

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**NSLDS** The National Student Loan Data System (NSLDS) contains information about all Title IV loans you have received, including TEACH Grants that have been converted to Direct Unsubsidized Loans. You may access NSLDS at:

[www.nsls.ed.gov](http://www.nsls.ed.gov)

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**Federal Student Aid Ombudsman** The U.S. Department of Education's Federal Student Aid Ombudsman can help resolve problems related to student loans (including TEACH Grants that have been converted to loans) when other approaches have failed.

**Federal Student Aid Ombudsman Phone Number:**

Toll free: 1-877-557-2575

**Federal Student Aid Ombudsman Web site:**

[www.ombudsman.ed.gov](http://www.ombudsman.ed.gov)

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# TEACH Grant Service Obligation

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## Basic Requirements

To complete your service obligation, you must teach full-time for at least four years:

- As a **highly qualified teacher**;
- At a **school serving low-income students**;
- and*
- In a **high-need field**.

You must complete your required teaching service **within eight years** after you:

- Complete the academic program for which you received your TEACH Grant,
  - or*
  - Are otherwise no longer enrolled in that program (for example, if you withdraw from school or if you change to a different program for which you are not eligible to receive a TEACH Grant).
- 

## Separate TEACH Grant Service Obligation for Each Program

You must complete a 4-year service obligation for each academic program for which you received a TEACH Grant within eight years after you complete or otherwise cease to be enrolled in the program.

For example, if you receive a TEACH Grant for an undergraduate program and later return to school and receive another TEACH Grant for a graduate program, you'll have a separate 4-year service obligation for each program.

More information about the requirement to complete a separate service obligation for each program for which you receive a TEACH Grant will be provided later in this counseling material.

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## Definition of Teacher

For purposes of the TEACH Grant Program, a teacher is a person who provides direct classroom teaching or classroom-type teaching in a non-classroom setting, including special education teachers and reading specialists.

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## TEACH Grant Service Obligation (continued)

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### Highly Qualified Teacher

The term highly-qualified teacher is defined:

- In section 9101 (23) of the Elementary and Secondary Education Act of 1965,  
*or*
- If you are a special education teacher, in section 602(10) of the Individuals with Disabilities Education Act.

You can find more information about the requirements for being a highly qualified teacher online at:

[www.ed.gov/nclb/methods/teachers/hqtflexibility.html](http://www.ed.gov/nclb/methods/teachers/hqtflexibility.html)

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### School Serving Low-Income Students (Low-Income School)

For purposes of the TEACH Grant Program, any public or private elementary or secondary school listed in the Department's **Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits** qualifies as a low-income school.

- You can search the Department's low-income school directory at:  
<https://www.tcli.ed.gov/CBSWebApp/tcli/TCLIPubSchoolSearch.jsp>.
  - Any elementary or secondary school operated by the **U.S. Department of the Interior's Bureau of Indian Education (BIE)** – or operated on an Indian reservation by an Indian tribal group under contract or grant with the BIE – also qualifies as a low-income school, even if it is not listed in the Department's low-income school directory.
  - If the school where you teach qualifies as a low-income school for all or part of one of your required four years of teaching, but doesn't qualify as a low-income school during subsequent school years, your subsequent years of teaching will still count for purposes of satisfying your TEACH Grant service obligation.
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### Teaching at More Than One Qualifying Low-Income School

If you teach at more than one qualifying low-income school during a school year, that year of teaching will count as one of your required four school years of teaching service if:

- You provide the Direct Loan Servicing Center with a certification from one or more of the chief administrative officers of the schools where you taught that your combined teaching was the equivalent of one school year of full-time employment,  
*and*
  - More than half of the classes you taught were in one or more of the high-need fields as defined in this counseling material.
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## TEACH Grant Service Obligation (continued)

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### High-Need Fields

For purposes of the TEACH Grant Program, high-need fields are:

- Mathematics
- Science
- Foreign language
- Bilingual education
- English language acquisition
- Special education
- Reading specialist
- Other identified teacher shortage areas **as of the time you begin teaching in that field**. These are teacher subject shortage areas – not geographic areas – listed in the **Teacher Shortage Area Nationwide Listing (Nationwide List)** that the Department issues each year.

More than half of the classes you teach during each school year must be in a high-need field.

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### Fields on the Nationwide List

In order to satisfy your TEACH Grant service obligation by teaching in another high-need field listed in the Department's Nationwide List, that field must be on the list for the state in which you begin teaching **at the time you begin teaching in that field**. You can search the **Nationwide List** at:

[www.ed.gov/about/offices/list/ope/pol/tsa.pdf](http://www.ed.gov/about/offices/list/ope/pol/tsa.pdf).

- This means that if a field is on the Nationwide List for the state where you plan to teach at the time you're completing the academic program for which you receive a TEACH Grant, but is no longer on the list when you begin teaching, you wouldn't be able to meet your service obligation by teaching in that field.

If you begin qualifying teaching service in a high-need field that is on the Nationwide List, but in subsequent school years of teaching that high-need field is no longer listed, your subsequent years of teaching in that field will continue to qualify for purposes of satisfying your service obligation.

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# Temporary Suspension of the Period for Completing Your TEACH Grant Service Obligation

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## Qualifying Conditions

If you have completed or are otherwise no longer enrolled in the academic program for which you received a TEACH Grant, you may request a suspension of the eight-year period for completing your teaching service only if:

- You return to school and are enrolled in a program of study for which you would be eligible to receive a TEACH Grant, or a program that will satisfy state requirements for elementary or secondary school teacher certification (including an alternative teacher certification program);
  - You have a condition covered under the Family and Medical Leave Act of 1993 (FMLA);
- or*
- You have been called to active duty status for more than 30 days as a member of a reserve component of the Armed Forces named in 10 U.S.C. 10101, or service as a member of the National Guard on full-time National Guard duty, as defined in 10 U.S.C. 101(d)(5), under a call to active service in connection with a war, military operation, or national emergency.

The conditions above are the only conditions under which you may receive a suspension of the 8-year period for completing your service obligation.

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## Length

- Suspensions can be granted in 1-year increments, and cannot exceed a total of three years, unless your suspension is based on qualifying military service.
- Suspensions based on qualifying military service can be granted for an unlimited period of time, and end upon completion of your qualifying military service.
- The 8-year period for completing your service obligation will resume at the end of the suspension period.

For example, if you receive a 1-year suspension after the first two years of the 8-year period have elapsed, you'll have another six years to complete your required teaching service after the suspension period ends.

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## Temporary Suspension of the Period for Completing Your TEACH Grant Service Obligation (continued)

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### Requesting a Temporary Suspension

You must request a suspension of the period for completing your service obligation on a form that the Direct Loan Servicing Center will provide, and must include documentation to support your request.

The form will tell you what type of documentation is required.

- You must submit a request for a suspension of the period for completing your service obligation **before** any of the conditions occur that will convert your TEACH Grant to a Direct Unsubsidized Loan (see the Conversion to a Direct Unsubsidized Loan section of these counseling materials).
  - Once a TEACH Grant has been converted to a loan, it can't be converted back to a TEACH Grant.
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## Separate TEACH Grant Service Obligation for Each Academic Program

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### **Separate TEACH Grant Service Obligation for Each Program**

You must complete a 4-year service obligation for each academic program for which you received a TEACH Grant within eight years after you complete or otherwise cease to be enrolled in the program.

For example, if you receive a TEACH Grant for an undergraduate program and later return to school and receive another TEACH Grant for a graduate program, you'll have a separate 4-year service obligation for each program.

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### **8-Year Period Begins**

The 8-year period in which you must complete each 4-year service obligation begins after you complete or otherwise cease to be enrolled in the academic program for which you received a TEACH Grant.

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### **Qualifying Teaching Service That You Perform Before Completing 2<sup>nd</sup> Program**

If you receive a TEACH Grant for one academic program and later receive a TEACH Grant for a second program, any qualifying teaching service that you perform before you complete or otherwise cease to be enrolled in the second program may only be applied toward fulfillment of your service obligation for the first program.

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### **Qualifying Teaching Service That You Perform After Completing 2<sup>nd</sup> Program**

If you receive a TEACH Grant for a second program before you've completed your service obligation for an earlier program, qualifying teaching service that you perform after you complete or otherwise cease to be enrolled in the second program may be applied toward your service obligation for both programs.

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## Separate TEACH Grant Service Obligation for Each Academic Program (continued)

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### Example 1

You complete an academic program for which you received a TEACH Grant and immediately enroll in another academic program for which you will receive a TEACH Grant, before you begin teaching.

- You request and receive a suspension of the 8-year period for completing your service obligation for the first program while you are enrolled in the second program.
  - After completing the second program, you must complete four years of qualifying teaching service that will fulfill your service obligation for each program.
  - When you have satisfied both service obligations, you will have completed a total of four years of qualifying teaching service.
- 

### Example 2

You complete an academic program for which you received a TEACH Grant and begin qualifying teaching service to satisfy your service obligation.

- After completing one year of qualifying teaching service, you stop teaching and enroll in a second academic program for which you will receive a TEACH Grant.
  - You request and receive a suspension of the eight-year period for completing your service obligation for the first program while you are enrolled in the second program.
  - After completing the second program, you must complete four years of qualifying teaching service that will fulfill your service obligation for the second program as well as the remaining three years of your service obligation for the first program.
  - When you have satisfied both service obligations, you will have completed a total of five years of qualifying teaching service.
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## Separate TEACH Grant Service Obligation for Each Academic Program (continued)

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### Example 3

You complete an academic program for which you received a TEACH Grant and begin qualifying teaching service to satisfy your service obligation.

- After teaching for one year, you enroll in a second academic program for which you receive a TEACH Grant.
  - You are enrolled in the second program for two years, and during that period you continue to teach full time.
  - After you complete the second program, you must complete four years of qualifying teaching service that will fulfill your service obligation for the second program and the remaining year of your service obligation for the first program.
  - The qualifying teaching service that you perform while enrolled in the second program may only be applied to your service obligation for the first program.
  - In this example, when you have satisfied both service obligations, you will have completed a total of seven years of qualifying teaching service.
- 

### Example 4

You complete an academic program for which you received a TEACH Grant and then fully satisfy your four-year service obligation for that program.

- You later enroll in another program for which you receive a TEACH Grant.
  - After completing the second program, you must complete four years of qualifying service to fulfill your service obligation for the second program.
  - No portion of the qualifying service that you completed for the first program may be applied to your service obligation for the second program.
  - In this example, when you have satisfied both service obligations, you will have completed a total of eight years of qualifying teaching service.
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## Documenting Your TEACH Grant Service Obligation

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### Your Responsibility

Unless you've received a temporary suspension of the 8-year period for completing your service obligation, or your service obligation has been discharged, you must keep the Direct Loan Servicing Center informed of your progress toward satisfying your service obligation.

More information about temporary suspensions of the 8-year period for completing your service obligation or discharge of your service obligation is provided elsewhere in these counseling materials.

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### Within 120 Days After You Complete Your Program

Within 120 days after you complete or are otherwise no longer enrolled in the program for which you received a TEACH Grant, you must notify the Direct Loan Servicing Center in writing that you:

- Are employed as a full-time teacher in accordance with the terms and conditions of the TEACH Grant service obligation;
  - or*
  - Aren't not yet employed as a full-time teacher, but intend to meet the terms and conditions of your service obligation.
- 

### After Each Year of Your Four Years of Required Teaching

Once you begin teaching, you must provide the Direct Loan Servicing Center with documentation of your qualifying employment **after each year** of your four years of required teaching.

- A form for documenting your qualifying teaching service will be available from the Direct Loan Servicing Center. This form must be certified by the chief administrative officer of the school where you taught for the year.
- 

### Once Each Year if You Aren't Employed in a Qualifying Teaching Position

If you have completed the program for which you received a TEACH Grant but you aren't employed in a qualifying teaching position, you must notify the Direct Loan Servicing Center **at least once each year** that you still intend to satisfy your service obligation.

The Direct Loan Servicing Center will contact you periodically to confirm your intent.

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## Documenting Your TEACH Grant Service (continued)

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### Completing Less Than a Full Year of Qualifying Teaching Service

If you do not complete a full school year of qualifying teaching service, but complete at least half of a school year, the half-year of teaching can be counted as one of your four required years of teaching service under certain conditions.

A half-year of qualifying teaching can be counted as one of your four required years of teaching service only if:

- You were unable to complete a full year of teaching because of a condition covered under the Family and Medical Leave Act of 1993 (FMLA),  
*or*
- You were unable to complete a full year of teaching because you were called or ordered to active duty status for more than 30 days as a member of a reserve component of the Armed Forces named in 10 U.S.C. 10101, or service as a member of the National Guard on full-time National Guard duty, as defined in 10 U.S.C. 101 (d) (5), under a call to active service in connection with a war, military operation, or national emergency,  
*and*
- Your school employer considers you to have fulfilled your contract requirements for the school year for purposes of salary increases, tenure and retirement.

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### FMLA

You can view the conditions that are covered by the FMLA at:

[www.dol.gov/esa/whd/fmla/](http://www.dol.gov/esa/whd/fmla/).

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### Reserve Components of the Armed Forces

The reserve components of the Armed Forces named in 10 U.S.C. 10101 include the:

- Army National Guard of the United States,
  - Army Reserve,
  - Navy Reserve,
  - Marine Corps Reserve,
  - Air National Guard of the United States,
  - Air Force Reserve
- and*
- Coast Guard Reserve
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# Discharging Your TEACH Grant Service Obligation

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## **Discharge of Your TEACH Grant Service Obligation**

Your service obligation will be discharged (canceled) if:

- The Direct Loan Servicing Center receives acceptable documentation of your death from a family member or other representative.
- You become totally and permanently disabled and meet certain other requirements. You must apply for a discharge on a form that the Direct Loan Servicing Center will provide.

If your service obligation is discharged based on your death or total and permanent disability, your TEACH Grant won't be converted to a Direct Unsubsidized Loan, and neither you nor your family will be required to repay the TEACH Grant funds you received.

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## Conversion to a Direct Unsubsidized Loan

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### Conditions that Convert a TEACH Grant into a Direct Unsubsidized Loan

A TEACH Grant that you received will be converted into a Direct Unsubsidized Loan under any of the following conditions:

- You request that your TEACH Grant be converted to a loan for any reason (for example, you've decided that you don't want to be a teacher).
  - You didn't complete the program for which you received a TEACH Grant, and within 120 days of ceasing enrollment you failed to notify the Direct Loan Servicing Center that:
    - You are employed as a full-time teacher in accordance with the requirements described in your TEACH Grant Agreement To Serve (ATS);
    - or*
    - You aren't yet employed as a full-time teacher in accordance with the requirements described in your ATS, but you intend to meet the terms and conditions of your TEACH Grant service obligation.
  - You didn't complete the program for which you received a TEACH Grant, and within one year after you cease enrollment:
    - You haven't been determined to be eligible for suspension of the 8-year period for completing your service obligation;
    - You haven't reenrolled in a program for which you would be eligible to receive a TEACH Grant;
    - or*
    - You haven't begun qualifying teaching service as described previously.
  - You completed the academic program for which you received a TEACH Grant, but don't confirm to the Direct Loan Servicing Center at least once each year that you intend to satisfy your service obligation.
  - You completed the academic program for which you received a TEACH Grant, but don't begin or maintain qualifying employment as a teacher that would allow you to complete your required four years of employment within the maximum 8-year period. (For example, if more than four years have elapsed since you completed a program for which you received a TEACH Grant and you have not yet begun qualifying teaching service, you would not be able to complete the required four years of teaching within eight years of completing the program.)
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## Conversion to a Direct Unsubsidized Loan (continued)

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### **Other Conditions for Converting the TEACH Grant into a Direct Unsubsidized Loan**

In addition to the conditions previously listed, any other condition that prevents you from completing your TEACH Grant service obligation (other than one of the conditions that would qualify you for a discharge of your obligation) could cause your TEACH Grant to be converted to a loan.

For example, a felony conviction (either in the past or in the future) could prevent you from being employed as a teacher, and you would then be unable to complete your service obligation.

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### **Consequences of Conversion**

If your TEACH Grant is converted to a Direct Unsubsidized Loan, you'll be required to repay the full amount of all TEACH Grant funds you received, with interest charged from the date of each TEACH Grant disbursement.

The Direct Loan Servicing Center will:

- Notify you of the date your first payment is due,  
*and*
  - Provide you with a repayment schedule that identifies your payment amounts and due dates.
- 

### **Effect of Conversion to a Loan on Loan Limits**

Any TEACH Grant that is converted to a Direct Unsubsidized Loan won't count toward the annual or aggregate loan limits that apply to other federal student loans you've received or may receive in the future to help pay for your education.

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# Loan Repayment

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## **Terms and Conditions**

A TEACH Grant that is converted to a Direct Unsubsidized Loan will be subject to the terms and conditions that apply to Direct Unsubsidized Loans under applicable law and regulations, including the terms and conditions described in your TEACH Grant Agreement to Serve (ATS).

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## **Grace Period**

If your TEACH Grant is converted to a loan, you will receive a 6-month grace period that begins on the day after the grant is converted to a loan.

During the grace period:

- You aren't required to make payments on your loan.
- Interest will continue to accrue.

You must begin making payments on your loan at the end of the 6-month grace period.

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## **National Consumer Reporting Agencies (Credit Bureaus)**

A TEACH Grant that is converted to a loan will be reported to one or more national consumer reporting agencies, and will be identified as an education loan.

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## **Interest Rate**

The interest rate on Direct Unsubsidized Loans is a fixed rate of 6.8%.

If you qualify under the Servicemembers Civil Relief Act, the interest rate on loans you obtained prior to military service may be limited to 6% during your military service. If you believe that you are eligible for this benefit, contact the Direct Loan Servicing Center for information about the documentation you must provide.

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## **Interest Accrual**

Interest on a TEACH Grant that is converted to a loan will be charged from the date of each TEACH Grant disbursement.

- At the time your TEACH Grant is converted to a loan, you'll be given the opportunity to pay the interest that accrued.
- Interest is charged on Direct Unsubsidized Loans during all periods, including periods of deferment and forbearance.

If you are an eligible military borrower, we do not charge interest on Direct Loans first disbursed on or after October 1, 2008 during periods of qualifying active duty military service (for up to 60 months).

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## Loan Repayment (continued)

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### **Interest Capitalization**

If you choose not to pay the interest that has accrued, it will be added to the principal balance of your loan at the end of the 6-month grace period.

- Adding unpaid interest to your loan principal is called capitalization.
  - Capitalization increases the unpaid principal of your loan, and interest will then be charged on the higher principal balance.
  - This means that you will pay more interest over the life of your loan.
- 

### **Payments**

You must make payments on your loan even if you do not receive a bill or repayment notice.

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### **Payment Application**

Except during periods of repayment under an Income-Based Repayment Plan, payments made on a Direct Unsubsidized Loan will be applied:

- First to late charges and collection costs,
- Then to interest,  
*and*
- Then to the principal amount of the loan.

During periods of repayment under an Income-Based Repayment Plan, payments will be applied:

- First to interest that is due,
  - Then to fees that are due,  
*and*
  - Then to the principal amount.
- 

### **Prepayment**

You may prepay all or any part of the unpaid balance on your loans at any time. There is no penalty if you make loan payments before they are due, or pay more than the amount due each month.

- If you do not specify which loans you are prepaying, we will determine how to apply the prepayment in accordance with applicable laws and regulations.
  - After you have repaid a Direct Unsubsidized Loan in full, the Direct Loan Servicing Center will send you a notice informing you that the loan has been paid off. You should keep this notice in a safe place.
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## Repayment Plans

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### Repayment Plans

If your TEACH Grant is converted to a Direct Unsubsidized Loan, you'll be able to choose from several repayment plans that are designed to meet your individual needs.

The amount you must pay each month will vary depending on the:

- amount of your loan
- and*
- repayment plan you choose.

If you do not choose a repayment plan, we will place you on the Standard Repayment Plan. You may change repayment plans at any time after you have begun repaying your loan.

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### Standard Repayment Plan

Under this plan, you will:

- Make fixed monthly payments
- and*
- Repay your loan in full within 10 years (not including periods of deferment or forbearance) from the date the loan entered repayment.

Your payments must be at least \$50 a month and will be more, if necessary, to repay the loan within the required time period.

The chart below shows examples of monthly payment amounts and the total amount repaid for different loan debt levels under the Standard Repayment Plan.

Initial Debt When Loan Enters Repayment	Standard Repayment Plan	
	Per Month	Total
\$4,000	\$50	\$5,344
\$8,000	\$92	\$11,048
\$16,000	\$184	\$22,095

These payment amounts were calculated using a fixed interest rate of 6.8%.

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### Graduated Repayment Plan

Under this plan, you will usually make lower payments at first, and your payments will gradually increase over time.

- You will repay your loan in full within 10 years (not including periods of deferment or forbearance) from the date the loan entered repayment.
  - No single payment will be more than three times the amount of any other payment.
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## Repayment Plans (continued)

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### Extended Repayment Plan

Under this plan, you:

- Will repay your loan in full over a period not to exceed 25 years (not including periods of deferment or forbearance) from the date the loan entered repayment.
- May choose to make fixed monthly payments or graduated monthly payments that start out lower and gradually increase over time.

Your payments must be at least \$50 a month and will be more, if necessary, to repay the loan within the required time period.

You are eligible for this repayment plan only if:

- You had no outstanding balance on a Direct Loan Program loan as of October 7, 1998 or on the date you obtained a Direct Loan Program loan after October 7, 1998,  
*and*
  - You have an outstanding balance on Direct Loan Program loans that exceeds \$30,000.
- 

### Income Contingent Repayment Plan

Under this plan,

- Your monthly payment amount will be based on your:
  - Annual income (and that of your spouse if you are married),
  - Family size,  
*and*
  - The total amount of your Direct Loans.
- Until we obtain the information needed to calculate your monthly payment amount, your payment will equal the amount of interest that accrues each month on your loan unless you request forbearance.
- As your income changes, your payments may change.

If your loan is not repaid in full after 25 years under this plan:

- The unpaid portion will be forgiven.
  - You may have to pay income tax on any amount forgiven.
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## Repayment Plans (continued)

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### **Income-Based Repayment Plan (effective July 1, 2009)**

To initially qualify for this plan, you must have a partial financial hardship. Under this plan:

- Your required monthly payment will be based on your income during any period when you have a partial financial hardship.
  - Your monthly payment amount may be adjusted annually.
  - The maximum repayment period under this plan may exceed 10 years.
  - If you meet certain requirements during a specified period of time, you may qualify for cancellation of any outstanding balance on your loans.
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### **Alternative Repayment Plan**

If you can show to our satisfaction that the terms and conditions of the above repayment plans are not adequate to meet your exceptional circumstances, we may provide you with an alternative repayment plan.

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### **Estimate Monthly and Total Loan Payment Amounts**

You can estimate the monthly and total amounts you would repay under the various repayment plans by using the online calculator available at:

<http://www.ed.gov/offices/OSFAP/DirectLoan/calc.html>.

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## Repayment Incentives

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### Repayment Incentives

A repayment incentive is a benefit that is offered to encourage you to repay your loan on time.

- One repayment incentive is the Electronic Debit Account (EDA) repayment option. With this option, your bank automatically deducts your monthly loan payment from your checking or savings account. You'll receive a 0.25 percent interest rate reduction while you repay under the EDA option.
  - The Direct Loan Servicing Center can provide you with more information on repayment incentive programs that may be available.
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# Loan Forgiveness and Discharge

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## **Teacher Loan Forgiveness**

If you do not meet the requirements of the TEACH Grant Program and your TEACH Grant is converted to a Direct Unsubsidized Loan, we may forgive a portion of that loan if you:

- Teach full time for five consecutive years in certain low-income elementary and/or secondary schools and meet certain other qualifications,
- and*
- If you did not owe a Direct Loan or FFEL program loan as of October 1, 1998, or as of the date you obtain a loan after October 1, 1998.

To request loan forgiveness under this program, you must complete a loan forgiveness application that you may obtain from the Direct Loan Servicing Center.

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## **Public Service Loan Forgiveness**

A public service loan forgiveness program is available under which you may qualify for cancellation of the remaining balance due on your eligible Direct Loan Program loans after you have made 120 payments (after October 1, 2007) on those loans under certain repayment plans while employed in certain public service jobs.

To request loan forgiveness under this program, you must complete a loan forgiveness application that you may obtain from the Direct Loan Servicing Center.

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## **Loan Discharge**

If you do not meet the requirements of the TEACH Grant Program and your TEACH Grant is converted to a Direct Unsubsidized Loan, we will discharge (forgive) your loan if:

- The Direct Loan Servicing Center receives acceptable documentation of your death.
- or*
- We determine that you are totally and permanently disabled (as defined in accordance with the laws and regulations that govern the Direct Loan Program), and you meet certain other requirements.

All or a portion of a TEACH Grant that was converted to a Direct Unsubsidized Loan may also be discharged under certain other conditions, as explained in your TEACH Grant Agreement To Serve (ATS).

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# Debt-Management Strategies

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**Overview** If your TEACH Grant is converted to a Direct Unsubsidized Loan it will be important to make on-time loan payments. The following tips will help you manage your money so that you can meet your household expenses and continue to make loan payments on-time.

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**Tip 1: Develop a Budget** Have an accurate picture of your monthly expenses (in addition to your loan payments). Your budget should include items such as:

- Rent
- Utility bills
- Food
- Clothing
- Insurance
- Entertainment

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**Tip 2: As a Borrower, Know Your Rights and Responsibilities** As a borrower, you have certain rights and responsibilities.

- Apply for a deferment if you are going back to school or meet one of the other eligibility requirements for a deferment. (See the information about deferment and forbearance in these counseling materials.)
- Keep your loan paperwork in a safe place.
- Keep the Direct Loan Servicing Center informed of your address, phone number and other information.
- Contact the Direct Loan Servicing Center when you have questions or concerns.

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**Tip 3: Make the Most of Your Grace Period** If your TEACH Grant is converted to a Direct Unsubsidized Loan you have a 6-month grace period and do not have to begin making payments until it ends. You can use your grace period to:

- Get your finances in order.
- Get a head start on repaying your loans. By making some payments during the grace period, you can reduce the interest costs for your loan.

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## Debt-Management Strategies (continued)

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**Tip 4: Pay the Interest That Accrues**

Pay the interest that accrues on your loans during periods when you are not required to make loan payments (grace, deferment or forbearance).

- Make your interest payments a budget priority.
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**Tip 5: Understand and Limit Credit Card Use**

Credit cards are one form of borrowing money, but they often carry a very high interest rate.

- If you decide you need a credit card, it is best to stick with one card with a low limit.
- Pay off your total balance each month. If that is not possible, always pay more than the minimum.
- If you make a payment late (even a day late), you may have to pay a finance charge, and your interest rate may go up.

## Avoiding Delinquency and Default

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### Options

If you think you might have a problem making your monthly loan payment on time, contact the Direct Loan Servicing Center immediately to discuss:

- Other repayment plan options
  - Eligibility for a deferment
  - Eligibility for forbearance
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### Deferment

A deferment allows you to temporarily postpone making loan payments if you meet certain requirements. You may receive a deferment while you are:

- Enrolled at least half-time at an eligible postsecondary institution;
- In a full-time course of study in a graduate fellowship program;
- In an approved full-time rehabilitation program for individuals with disabilities;
- Unemployed (for a maximum of three years; you must be diligently seeking, but unable to find, full-time employment);
- Experiencing an economic hardship (including Peace Corps service), as determined under the laws and regulations that govern the Direct Loan Program (for a maximum of three years);

*or*

- Serving on active duty during a war or other military operation or national emergency or performing qualifying National Guard duty during a war or other military operation or national emergency and, if you were serving on or after October 1, 2007, for the 180-day period following the demobilization date for your qualifying service.

If you are a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and you are called or ordered to active duty while you are enrolled at least half time at an eligible institution or within 6 months of having been enrolled at least half time, you are also eligible for a deferment during the 13 months following the conclusion of your active duty, or until you return to enrolled student status on at least a half-time basis, whichever is earlier.

You may be eligible to receive additional deferments if, at the time you received your first Direct Loan, you had an outstanding balance on a loan made under the Federal Family Education Loan (FFEL) Program before July 1, 1993. Contact the Direct Loan Servicing Center for more information.

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## Avoiding Delinquency and Default (continued)

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### **Deferment (continued)**

Except for a deferment based on your at least half-time enrollment at an eligible postsecondary institution, you must submit a deferment request form to the Direct Loan Servicing Center. In most cases, you must also provide documentation of your eligibility for the deferment.

You may receive a deferment based on your at least half-time enrollment at an eligible institution without submitting a deferment request if the Direct Loan Servicing Center receives information from the school you are attending that confirms your at enrollment status. If the Direct Loan Servicing Center grants a deferment based on information received from your school, you will be notified of the deferment and will have the option of canceling the deferment and continuing to make payments on your loans.

Interest is charged on a Direct Unsubsidized Loan during a period of deferment. You may pay interest as it accrues, or allow it to be capitalized at the end of the deferment period.

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### **Forbearance**

Forbearance is another option for temporarily postponing loan payments, if you don't meet the eligibility requirements for a deferment.

We may give you a forbearance if you are temporarily unable to make your loan payments for reasons including, but not limited to, financial hardship or illness.

In addition, we will give you a forbearance if you meet one of the following requirements:

- You are serving in a medical or dental internship or residency program, and you meet specific requirements;
  - The total amount you owe each month for all of the student loans you received under Title IV of the Act is 20 percent or more of your total monthly gross income (for a maximum of three years);
  - You're serving in a national service position for which you receive a national service award under the National and Community Service Trust Act of 1993. In some cases, the interest that accrues on a qualified loan during the service period will be paid by the Corporation for National and Community Service;
  - You're performing service that would qualify you for loan forgiveness under the teacher loan forgiveness program that is available to certain Direct Loan and FFEL program borrowers;
  - You qualify for partial repayment of your loans under the Student Loan Repayment Program, as administered by the Department of Defense; or
  - You're called to active duty in the U.S. Armed Forces.
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## Avoiding Delinquency and Default (continued)

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### **Forbearance (continued)**

Generally, you must request a forbearance and, in some cases, submit documentation of your eligibility for a forbearance. However, under certain circumstances we may give you a forbearance without requiring you to submit a request or documentation. These circumstances include, but are not limited to, the following:

- Periods necessary for us to determine your eligibility for a loan discharge;
- A period of up to 60 days in order for us to collect and process documentation related to your request for a deferment, forbearance, change in repayment plan, or consolidation loan (we do not capitalize the interest that is charged during this period); or
- Periods when you are involved in a military mobilization, or a local or national emergency.

Interest is charged on a Direct Unsubsidized Loan during a period of forbearance. You may pay the interest as it accrues, or allow it to be capitalized at the end of the forbearance period.

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# Default

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## Definition

If you become delinquent in making payments on a Direct Unsubsidized Loan, this could lead to default.

You are considered to be in default on your loan if:

- You do not make installment payments when due, and your failure to make payments has persisted for at least 270 days;
  - or*
  - You don't comply with other terms of your loan, and we reasonably conclude that you no longer intend to honor your repayment obligation.
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## Consequences

If you default:

- Your default will be reported to national consumer reporting agencies (credit bureaus) and will adversely affect your credit history.
  - All outstanding interest may be capitalized into a new principal balance.
  - You'll be required to immediately repay the entire unpaid amount of your loan.
  - You may be sued, have all or part of your federal income tax refund and other federal or state payments taken, and/or your wages garnished so that your employer is required to send us part of your salary to pay off your loan.
  - You'll be required to pay reasonable collection fees and costs, plus court costs and attorney fees.
  - You'll lose eligibility for other federal student aid and assistance under most federal benefit programs.
  - You'll lose eligibility for loan deferments and other benefits.
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## Loan Consolidation

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### **Loan Consolidation**

A Direct Consolidation Loan Program is available that allows you to consolidate (combine) one or more of your eligible federal education loans into one loan. Consolidation allows you to extend the period of time that you have to repay your loans, and to combine several loan debts into a single monthly payment. However, you will pay more interest if you extend your repayment period through consolidation, since you will be making payments for a longer period of time. Contact the Direct Loan Servicing Center for more information about loan consolidation.

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