STATE OF MARYLAND

STUDENT LOAN OMBUDSMANS' STUDENT LOAN EDUCATIONAL TOOLKIT

OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION
MARYLAND DEPARTMENT OF LABOR
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INTRODUCTION

On May 15, 2018, the *Financial Consumer Protection Act of 2018* (2018 Md. Laws 732) ("Act") was signed into law establishing a Student Loan Ombudsman ("Ombudsman") designated by the Commissioner of Financial Regulation ("Commissioner"). The Ombudsman position was created to provide student loan borrowers with a state-level office that can assist them in resolving their complaints about student loan servicers ("servicers"). The Ombudsman was also required to monitor and disseminate information about student loan servicing activity in Maryland and to establish, in consultation with the Commissioner, a student loan borrower education course before October 1, 2019.

Maryland's Ombudsman commenced work in October, 2018 supported by staff in the Office of the Commissioner of Financial Regulation. The Ombudsman will provide information about student loan processes and act as a liaison between student loan borrowers and student loan servicers to seek correction of mistakes and to facilitate solutions to problems. Additionally, the Ombudsman will gather information about the state of student loan servicing in Maryland to inform the public and legislature and will produce an annual report disclosing the complaint data the Ombudsman compiles and analyzes and provide recommendations to the General Assembly about those findings. The Ombudsman may refer any violations of servicing standards, abusive, unfair, deceptive, or fraudulent practices to the Office of the Commissioner of Financial Regulation or to the Maryland Office of the Attorney General for civil enforcement or criminal prosecution.

This course is designed for people who are seeking, already have or are responsible for repaying, federal and private student loans. This course aims to do the following: (a) familiarize users with their rights and obligations, (b) explain how to apply for federal financial aid using the Free Application for Federal Student Aid (FAFSA) process, (c) explain the repayment options and various potential payment programs, (d) explain potential loan forgiveness options and how to make use of those options, and (e) explain and define important loan-related financial terms. The course, which is comprised of a number of learning modules, is designed to provide a detailed introduction to the topic of student loans. It is based on information provided by the U.S. Department of Education and other sources. The U.S. Department of Education provides comprehensive educational information and resources. Those resources are listed in the last Module and you are strongly encouraged to further educate and familiarize yourself with these federal resources in order to stay abreast of the issues and to help you successfully manage your loan obligations.

MODULE 1:

Application Process and Documentation Requirements for Student Education Loans

Federal Student Aid Programs are based on the concept that it is primarily you and your family's responsibility to pay for your education. A dependent student is assumed to have the support of parents, and so the parents' information has to be assessed along with the student's in order to get a full picture of the family's financial strength. If you are a dependent student, it does not mean your parents are required to pay anything toward your education; it is simply the way that the federal government looks at everyone's eligibility in a consistent manner. Conversely, an independent student is assessed under the assumption that the student does not have the financial support of their parents.

In order to determine your eligibility for student financial aid, either as an undergraduate or graduate student, you *must* complete a **Free Application for Federal Student Aid** (**FAFSA**) form with the U.S. Department of Education. Students have three (3) preparation options:

- Online at fafsa.ed.gov.
- Using the myStudentAid mobile app (available on the App Store or Google Play)
- Calling 1-800-433-3243 to obtain a PDF copy of the FAFSA form which you can complete and submit by mail.

In order to complete your FAFSA form, **you must first create a Federal Student Aid ID** (FSA ID), made up of a username and password, in order to access the U.S. Department of Education online systems. Your FSA ID is used to confirm your identity while accessing your financial aid information and electronically signing your federal student aid documents. You can begin applying on October 1 of each year and you will need to complete a new FAFSA form for every year in which you attend college and seek federal financial aid. Some financial aid is provided on a first-come, first-served basis, so students are encouraged to submit a FAFSA as soon as possible.

Your dependency status determines whose information you must report on the FAFSA form. If you are a dependent student, you will report your own and your parents' information. If you are an independent student, you will report your own information (and, if you are married, your spouse's). To complete the FAFSA form, you'll need:

- An FSA ID to sign electronically.
- Your Social Security Number.
- Your Alien Registration Number (if you are not a U.S. citizen).

- Your federal income tax returns, W-2s, and other records of money earned. (**Note:** You may be able to transfer your federal tax return information into your FAFSA using the IRS Data Retrieval Tool. Additionally, 2-year-old U.S. tax information is used to complete the financial sections of the FAFSA)
- Bank statements and records of investments (if applicable).
- Records of untaxed income (if applicable).

If you are a dependent student, you will also need most of the above information for your parent(s).

Where does my FAFSA information go once I submit it?

Your FAFSA information is shared with the colleges and/or career schools you list on your application. The school financial aid office uses your information to determine how much aid you may receive at that school. Certain schools may also have other forms of aid available, so you will need to check with each school's financial aid office to be certain. Your information also goes to your state higher education agency, as well as to agencies of the states where your chosen schools are located. Many states have financial aid funds that they give out based on FAFSA information.

Student Aid Report

After completing the FAFSA, you will receive a Student Aid Report (SAR). The SAR provides you with your potential eligibility for different types of financial aid, your Expected Family Contribution (EFC), and a summary of the data that you provided in the application. Students should carefully review the SAR for errors and make any corrections as necessary. An electronic version of the SAR (called an ISIR) is made available to the colleges and/or universities the student includes on the FAFSA. The ISIR is also sent to state agencies that award need-based aid.

Expected Family Contribution

The Expected Family Contribution (EFC) is an estimate of a student's (and for a dependent student his or her parents') ability to contribute to a year of post-secondary education expenses. The EFC is used in the student financial aid process in the United States to determine an applicant's eligibility for need-based federal student aid, and in many cases, state and institutional (college) aid. It is located on the Student Aid Report and Institutional Student Information Record sent after the Free Application for Federal Student Aid (FAFSA) is processed. If the FAFSA has not yet been filed, there are a number of calculators on the Web (see links below) that will give a good approximation of a family's EFC. The EFC is not what a student's family actually pays, it is an estimate. The actual amount paid is usually higher - sometimes much higher.

You have to apply for need-based aid each year that you plan to attend college on a full time basis. Therefore, you must file a new FAFSA every year. Each time you file a new FAFSA, your EFC will be recalculated, and your financial aid may potentially be adjusted.

Maryland Scholarships, Grants, and Loan Assistance Repayment Programs

Whether you plan to attend a two-year or a four-year college, the State of Maryland offers a variety of state grants, scholarships and loan assistance repayment programs that may be of benefit to you. The Maryland Higher Education Commission's (MHEC) SmartSAVE page features a list of scholarships and grants to assist you in attaining your higher education goals. Financial preparation is a key to ensuring your dream of going to college. Both grants and scholarships are money that students are given for their college education and generally there is no requirement for the student to pay back the money.

Below are the financial assistance resources featured on the SmartSAVE page and currently available to Maryland students attending a Maryland institution:

- Available Scholarships
- Available Grants

If you need assistance repaying loans, visit the SmartSAVE page for information about Maryland's Loan Assistance Repayment Programs (LARP) that allow a student to pay back a portion of their student loan or debt (to the bank or the lender) once the student graduates based on agreed-to criteria. The link to those programs is here:

- Available Loan Assistance Repayment Programs

In order to avail yourself of these programs, you must create an MDCAPS Account with the MHEC. Information you will need to establish your **MDCAPS Account**:

- A current email address.
- If you are a male between 18-25 years old, you need to first register with the Selective Service System and provide proof that you have registered. You can also register by mail. Forms are available at any U.S. Post Office.
- Your prior year's tax information, or your parent's or legal guardian's tax information, depending upon whether you are dependent or independent. You will use the same tax records as you do for your FAFSA account.

Private Loans

The documentation requirements will generally be the same for private loans as they are for government loans, although each private loan provider may have specific requirements. You can typically find the requirements for private loans on the providers' website or with their application forms and on their printed informational literature.

MODULE 1 RESOURCES:

Federal Student Aid - U.S. Department of Education/FAFSA website:
https://studentaid.ed.gov/sa/fafsa

2019-2020 FAFSA on the Web Worksheet - Provides a preview of the questions students and parents may be asked in order to complete the FAFSA form:
https://studentaid.ed.gov/sa/sites/default/files/2019-20-fafsa-worksheet.pdf

The Maryland Higher Education Commission's (MHEC) SmartSAVE - Scholarships, Grants, and Loan Assistance Programs:
https://mhec.maryland.gov/pages/smartsave.aspx
https://mhec.maryland.gov/Pages/SmartSAVE-Scholarships.aspx
https://mhec.maryland.gov/Pages/SmartSAVE-Grants.aspx
https://mhec.maryland.gov/Pages/loan-assistance-programs.aspx

Selective Service System website:
https://www.sss.gov/Registration-Info/Who-Registration

MODULE 2:

Monthly Payment Obligations for Student Education Loans

You must begin repaying your student loans when you graduate school or drop below half-time enrollment. Typically, there is a grace period of six months after leaving school (contact your student loan servicer for information about your grace period). But after the applicable grace period has passed, you will need to start repaying your loan on a monthly basis and these payments have to be made by each due date.

You will receive monthly statements with the amount due and the payment due date. A **student loan servicer** is the person or company who is responsible for sending you your monthly bill, collecting your payments, responding to customer service inquiries, and performing other administrative tasks associated with maintaining a student loan on behalf of a lender. Loan servicers also track loans while borrowers are in school, maintain loan records, process payments, accept applications and process changes in loan status.

Your monthly payment is made up of two parts, principal and interest, which you make in one payment.

Principal is the total sum of money borrowed plus any interest that has been capitalized.

Interest is the cost paid for borrowing money. It is charged by a lender, and paid by a borrower for the use of borrowed money. Interest is calculated as a percentage of the unpaid principal amount of the loan. Interest is charged over time, meaning the longer it takes to repay the loan, the more interest will accrue.

Interest also accrues while you're in school, during any grace period, during any deferment period, or while your loan is in forbearance. Your lender may **capitalize** this interest by calculating the amount of interest owed and adding it to the total amount you owe. The capitalized interest becomes part of the principal, possibly causing your monthly payment amount to increase. Capitalized interest and, if applicable, late fees may be also added to your monthly payment amount.

If you have received multiple loans, you must repay each of them separately. That means if you have not **consolidated** your loans, you may have multiple monthly payments to make. Therefore, it's important that you keep track of the number of loans you have received, as well as the types of loans, and the servicer for each loan. The **National Student Loan Data System (NSLDS)** is an online federal database for student aid and loan programs. You can use the NSLDS system to view your federal loans and loan status, among other information.

You can access NSLDS here. Click on "My Student Data Download", review the privacy terms ("accept" to continue), and you will be directed to a login screen. You'll need your FSA ID, which you originally created when you first applied for federal financial aid through FAFSA.

What is *loan consolidation*?

Loan consolidation involves taking out one, large loan to repay several small loans. A Direct Consolidation Loan allows you to combine ("consolidate") multiple federal education loans into one loan. Consolidation provides you with one loan, at one interest rate, featuring a single monthly payment instead of multiple loans with multiple payments. Loan consolidation can also give you access to additional loan repayment plans or forgiveness programs. (See Module 3 for information about federal student loan repayment plans and Module 4 for an explanation of loan forgiveness programs). You cannot include any private loans that you have if you are consolidating your loans through a federal consolidation program.

There are some considerations to weigh before you proceed with loan consolidation, particularly if you wish to seek loan forgiveness through the Public Service Loan Forgiveness (PSLF) program. Any qualifying payments you made prior to consolidation will NOT be counted toward the Public Service Loan Forgiveness program - only payments made after consolidation will be considered "qualifying payments."

If consolidation would cause you to lose the benefits associated with some of your current loans and you are working toward earning those benefits, you should not include those loans in your new Direct Consolidation Loan. Remember: when you apply for a Direct Consolidation Loan, you do NOT have to consolidate all of your eligible loans.

What is the difference between a *subsidized loan* and an *unsubsidized* loan?

Subsidized loans are typically federal student loans for which the U.S. Department of Education charges you no interest ("subsidizes") on your loan while you are in school and during other periods where you are not required to make monthly payments. Subsidized loans are available for eligible students who demonstrate financial need.

Unsubsidized loans, on the other hand, are loans for which the borrower is responsible for paying all of the interest, regardless of the loan status, that build up on the loan while they are in school. Interest on unsubsidized loans accrues from the date of disbursement of the loan and continues accruing throughout the life of the loan. Private student loans are typically unsubsidized and you can expect to pay all of the interest that accrues, including interest that is charged while you are in school.

Can my student loan repayment be put on hold after the grace period?

Yes. Your student loan servicer may put you in **deferment** or **forbearance.** This allows you to temporarily stop making payments or to temporarily reduce your monthly payment amount for a specified period. You must request deferment or forbearance from your student loan servicer.

There is an important difference**.** With a **deferment**, you *will not* be responsible for paying the interest that accrues on the following types of loans during the deferment period: Direct Subsidized, Subsidized Stafford, Federal Perkins, Subsidized portion of Consolidation Loans. You can request a deferment for being in-school, having a Parent PLUS loan, graduate fellowship, rehabilitation training, unemployment, economic hardship, military service/post-active duty.

With **forbearance**, you *will* be responsible for paying the interest that accrues during the forbearance period. You can choose to pay the interest as it accrues (meaning you are only paying interest during the forbearance period), or the interest will be **capitalized** with the principal amount.

What happens if I don't pay my student loans?

If your lender is unable to obtain payment from you for 270 days, they may place your loan in default and attempt to collect on the loan. Your loan holder may even "accelerate" a defaulted loan, which means that the entire balance of the loan (principal and interest) becomes due in a single payment. Private loans may be placed in default as soon as 120 days depending upon the private lenders own loan terms.

Once your federal student loan goes into default, you could face a number of consequences:

- Your wages may be garnished without a court order.
- You can lose some or all of your tax refund or Social Security payment (funds would be applied toward your defaulted student loan).
- Credit reporting agencies will be notified, and your credit score may suffer.
- You may not receive any additional federal student aid if you are in default on any federal student loan until you have taken steps to bring your federal student loan out of default.

The collection process for private student loans may differ depending upon the lender's requirements and collection processes but you could still face some or all of the foregoing consequences a collection action is brought against you.

MODULE 2 RESOURCES:

Federal Student Aid - U.S. Department of Education/FAFSA website:
https://studentaid.ed.gov/sa/repay-loans
https://studentaid.ed.gov/sa/sites/default/files/repaying-your-loans.pdf
https://studentaid.ed.gov/sa/repay-loans/consolidation

The Federal Consumer Financial Protection Bureau - "What happens if I default on a federal student loan?' July 21, 2016.
https://www.consumerfinance.gov/ask-cfpb/what-happens-if-i-default-on-a-federal-student-loan-en-663/

MODULE 3:

Repayment Options for Student Education Loans

Borrowers with federal student loans may be eligible for a number of repayment plans offered by the U.S. Department of Education. Borrowers with private student loans should contact their loan servicer to determine if their lender offers any repayment plans. However, note that private loan servicers are not required to offer the same repayment plans as may be offered by the U.S. Department of Education. This module briefly summarizes each type of repayment plan and the types of federal student loan programs that are eligible for each respective plan. You should contact your student loan servicer for current information about these plans and whether or not you qualify for any of them.

Repayment plans for federal student loans are generally divided into two categories: Traditional and Income-driven. Income-driven plans are tied to your annual income, i.e., as your annual income changes, your monthly payment amounts are adjusted accordingly. Traditional plans have monthly payments that are not tied to your income.

TRADITIONAL REPAYMENT PLANS

Standard Repayment Plan

- Eligible loans: Direct Subsidized and Unsubsidized Loans, Subsidized and Unsubsidized Federal Stafford Loans, all PLUS loans, and all Consolidation Loans (Direct and FFEL).
- Repayment terms: Payments are fixed in amount; loans are intended to be paid off within 10 years, or 10 to 30 years for Consolidation Loans (designed to ensure paid off in 10 years and to minimize the interest cost to the student).
- Additional info: You will pay less over time than other plans, but will have higher monthly payments; 10-year Standard Plan doesn't make sense for PSLF; these loans feature standard repayment terms and they are not qualifying plans for PSLF.

Graduated Repayment Plan

- Eligible loans: Direct Subsidized and Unsubsidized Loans, Subsidized and Unsubsidized Federal Stafford Loans, all PLUS loans, all Consolidation Loans (Direct or FFEL).
- Repayment terms: Payments start a low level at first and then increase, usually every two years; loans are paid off within 10 years, or between 10 to 30 years for Consolidation Loans; these plans are designed to ensure loans are paid off with a lower monthly payment over a longer period, but you'll pay more interest than with a standard repayment plan.

- Additional info: You will pay more over time than under the 10-year Standard Plan, generally not a qualifying repayment plan for PSLF.

Extended Repayment Plan

- Eligible loans: Direct Subsidized and Unsubsidized Loans, Subsidized and Unsubsidized Federal Stafford Loans, all PLUS loans, all Consolidation Loans (Direct or FFEL).
- Repayment terms: Payments may be fixed or graduated; loans are paid off within 25 years.
- Additional info: Monthly payments will be lower than under the 10-year Standard Plan or the Graduated Repayment Plan, but you will pay more over time than under the 10-year Standard Plan; not a qualifying repayment plan for PSLF.

INCOME-DRIVEN REPAYMENT PLANS

Revised Pay As You Earn (REPAYE)

- Eligible loans: Direct Subsidized and Unsubsidized Loans, Direct PLUS loans made to students, Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents.
- Repayment terms: Monthly payments are 10% of discretionary income; payments are recalculated annually based on income and family size; any outstanding balance on the loan will be forgiven after 20 years (if all loans were taken out for undergraduate study) or 25 years (if any loans were taken out for graduate or professional study).
- Additional info: You will usually pay more over time than under the 10-year Standard Plan; you may have to pay income tax on any amount that is forgiven; this is a qualifying plan for those seeking PSLF.

Pay As You Earn (PAYE)

- Eligible loans: Direct Subsidized and Unsubsidized Loans, Direct PLUS loans made to students, Direct Consolidation Loans that do not include (Direct or FFEL) PLUS loans made to parents.
- Repayment terms: Monthly payments are 10% of discretionary income, but never more than they would have paid under the 10-year Standard Repayment Plan; payments are recalculated annually based on income and family size; any outstanding balance on the loan will be forgiven after 20 years.
- Additional info: You must have a high debt relative to your income; will usually pay more over time than under the 10-year Standard Plan; you may have to pay income tax on any amount that is forgiven; this is a qualifying plan for those seeking PSLF.

Income-Based Repayment (IBR)

- Eligible loans: Direct Subsidized and Unsubsidized Loans, Subsidized and Unsubsidized Federal Stafford Loans, all PLUS loans made to students, Consolidation Loans (Direct or FFEL) that do not include Direct or FFEL PLUS loans made to parents.
- Repayment terms: Monthly payments will be either 10 or 15% of discretionary income (depending on when you received your first loans), but never more than would have been due under the 10-year Standard Repayment Plan; payments are recalculated annually based on income and family size; loan will be forgiven after 20 years or 25 years, depending on when you received your first loans; may have to pay income tax on any amount that is forgiven.
- Additional info: You must have a high debt relative to your income; monthly payment will never be more than the 10-year Standard Plan amount; you will usually pay more over time than under the 10-year Standard Plan; you may have to pay income tax on any amount that is forgiven; qualifying plan for those seeking PSLF.

Income-Contingent Repayment (ICR)

- Eligible loans: Direct Subsidized and Unsubsidized Loans, Direct PLUS Loans made to students, Direct Consolidation Loans.
- Repayment terms: Monthly payment will be the lesser of 20% of discretionary income or a repayment plan with a fixed payment over 12 years, adjusted according to income; payments are recalculated annually based on income, family size, and the total amount of Direct Loans; outstanding balance will be forgiven after 25 years.
- Additional info: Any Direct Loan borrower with an eligible loan type may choose this plan; you usually pay more over time than under the 10-year Standard Plan; you may have to pay income tax on any amount that is forgiven; this is a qualifying plan for those seeking PSLF.

Income-Sensitive Repayment

- Eligible loans: Subsidized and Unsubsidized Federal Stafford Loans, FFEL PLUS Loans, FFEL Consolidation Loans.
- Repayment terms: monthly payment is based on annual income, but the loan must be repaid in full within 15 years.
- Additional info: You will pay more over time than under the 10-year Standard Plan; formula for determining the monthly payment amount can vary from lender to lender; available only for FFEL Program loans, which are not eligible for PSLF.

MODULE 3 RESOURCES:

Federal Student Aid - U.S. Department of Education / FAFSA website:
https://studentaid.ed.gov/sa/repay-loans
https://studentaid.ed.gov/sa/sites/default/files/repaying-your-loans.pdf
https://studentaid.ed.gov/sa/repay-loans/understand/plans

MODULE 4:

Student Education Loan Forgiveness Programs

Student Education Loan Forgiveness Programs available to Maryland residents can be divided into three specific types. These are:

- **A.** Public Service Loan Forgiveness and Temporary Expanded Public Service Loan Forgiveness
- **B.** Teacher Loan Forgiveness
- **C.** Maryland Student Loan Assistance Programs (These programs provide some assistance with loan repayment, but not all of the programs offer full forgiveness of unpaid loan balances.)

"A" and "B" are federal programs. "C" includes specialized state programs.

A. PUBLIC SERVICE LOAN FORGIVENESS PROGRAM

If you're employed by a government or not-for-profit organization, you may be able to receive loan forgiveness under the Public Service Loan Forgiveness Program (PSLF). This program forgives the **remaining balance** on your Direct Loans after you have made 120 (10 years) qualifying payments under a qualifying repayment plan. Loans from the Federal Family Education Loan (FFEL) Program or the Federal Perkins Loan (Perkins Loan) Program do not qualify for PSLF, but they may become eligible if you consolidate them into a Direct Consolidation Loan.

Eligibility requirements:

- You must have a qualifying loan. A qualifying loan is any non-defaulted loan you received under the William D. Ford Federal Direct Loan (Direct Loan) Program. These loans include Direct: Subsidized, Unsubsidized, PLUS and Consolidated Loans.
- You must be in a qualifying repayment plan which generally includes all of the income-driven repayment (IDR) plans, and the 10-year standard repayment Plan.
- You must make 120 separate monthly payments. Paying extra won't make you eligible to receive PSLF sooner.
- You must work full-time. Full-time work means your employer's definition of full-time or if you work at least 30 hours per week, whichever is greater. If you are employed in more than one qualifying part-time job at the same time, you may meet the full-time employment requirement if you work a combined average of at least 30 hours per week with your employers.

- You must work for a qualifying employer. These include:
  - ➢ Government organizations at any level (federal, state, local, or tribal).
  - ➢ Not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.
  - ➢ Other types of not-for-profit organizations that are not tax-exempt under Section 501(c)(3) of the Internal Revenue Code, if their primary purpose is to provide certain types of qualifying public services.
  - ➢ Full-time AmeriCorps or Peace Corps volunteers also qualify.

Partisan political organizations, labor unions, or for-profit organizations including for-profit government contractors *do not qualify* as employers.

Applying to the PSLF program:

If you have made 120 qualifying payments, you should fill out and submit the PSLF application form to the U.S. Department of Education.

- You can use the PSLF Help Tool to assist you in starting the PSLF application that you will eventually print, complete, and submit. Find out where to submit your PSLF application.
- Or, you can download the PSLF application and complete all sections on your own before submitting it. Find out where to submit your PSLF application.

If you are working toward PSLF, you should complete and submit the Employment Certification for Public Service Loan Forgiveness form (Employment Certification Form) annually or when you change employers.

- You can use the PSLF Help Tool to assist you in starting the Employment Certification (EC) Form that you will eventually print, complete, and submit. Find out where to submit your Employment Certification Form.
- Or, you can download the Employment Certification Form and complete all sections on your own before submitting it. Find out where to submit your Employment Certification Form.

The Department of Education uses the information you provide on the form to determine if you're making qualifying PSLF payments so it's important that you get that verification to make sure you are on track for forgiveness. If you don't periodically submit the EC Form, then at the time you apply for forgiveness you will be required to submit an EC Form for each employer where you worked while making the required 120 qualifying monthly payments.

Remember…

- **Only Direct Loans are eligible for the PSLF program.** Defaulted Direct Loans and Direct PLUS Loans made to you as a parent borrower are not eligible for forgiveness under

PSLF. Borrowers who have only a Federal Family Education Loan (FFEL) Program, Federal Perkins Loan (Perkins Loan) Program, nonfederal, and/or private loan(s) are also not eligible for the PSLF.

- Your loan will only be forgiven if you meet **ALL** PSLF Program eligibility conditions.
- Private education loans aren't eligible for PSLF and can't be consolidated into a Direct Consolidation Loan. Defaulted Direct Loans are also ineligible for PSLF. However, a defaulted loan may become eligible for PSLF if you resolve the default.
- If you are on an IDR plan and you consolidate that loan with other student loans you will lose credit for any prior payments made toward IDR plan forgiveness or PSL forgiveness.
- To ensure you're on the right track, you should submit an Employment Certification Form annually to the U.S. Department of Education or when you change employers.

Temporary Public Service Loan Forgiveness Program

If you have applied for loan forgiveness under the Public Service Loan Forgiveness Program (PSLF) and have been denied, the U.S. Department of Education will reconsider that decision under the Temporary Expanded Public Service Loan Forgiveness (TEPSLF) opportunity. **However, it order to participate in this program YOU MUST FIRST apply to the PSLF program and be DENIED. YOU CANNOT SKIP THE FIRST STEP.** The U.S. Department of Education is currently reviewing this required step and may modify it going forward.

Eligibility Requirements:

- You must have submitted the *Public Service Loan Forgiveness (PSLF): Application for Forgiveness* (PSLF application) and had that application denied only because some or all of your payments were not made under a qualifying repayment plan for PSLF;
- You have had at least 10 years of full-time employment certified by a qualifying employer and approved by FedLoan Servicing, ED's federal loan servicer for the PSLF Program;
- You must meet the TEPSLF requirement for the amount you paid 12 months prior to applying for TEPSLF and the last payment you made before applying for TEPSLF to be at least as much as you would have paid under an income-driven repayment plan; and
- You must have made 120 qualifying payments under the new requirements for TEPSLF while working full-time for your qualifying employer or employers.

  Note: At a minimum, a qualifying monthly payment is a payment you made:

  - after Oct. 1, 2007;
  - for the full amount due as shown on your bill;
  - no later than 15 days after your due date; and
  - while employed full-time by a qualifying employer.

Applying to the TEPSLF program:

- Prepare an email to FedLoan Servicing requesting that the U.S. Department of Education D reconsider your eligibility for PSLF.
- Include the same name under which you submitted your PSLF application and your date of birth in the email.
- Send the email to TEPSLF@myfedloan.org.

Here's an email example that you can use:

To: TEPSLF@myfedloan.org
Subject: TEPSLF request
I request that ED reconsider my eligibility for public service loan forgiveness.

Name: [Enter the same name under which you submitted your PSLF application]
Date of Birth: [MM/DD/YYYY]

Thank you,
Jane Walsh

Remember…

Only Direct Loans are eligible for the TEPSLF program. Defaulted Direct Loans and Direct PLUS Loans made to you as a parent borrower are not eligible for forgiveness under TEPSLF. Borrowers who have only a Federal Family Education Loan (FFEL) Program, Federal Perkins Loan (Perkins Loan) Program, nonfederal, and/or private loan(s) are also not eligible for the TEPSLF.

(https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service/temporary-expanded-public-service-loan-forgiveness)

B. TEACHER LOAN FORGIVENESS

You may be eligible for Teacher Loan Forgiveness (TLF) if you teach full time at certain elementary or secondary schools or educational service agencies that serve low-income students. This program forgives up to $5,000 (up to $17,500 for highly-qualified teachers in certain subject areas) of your subsidized and unsubsidized loans (not PLUS Loans), provided you teach for five consecutive years as a highly-qualified teacher. PLUS loans for parents and graduate or professional students aren't eligible for this type of forgiveness.

Eligibility requirements:

- You must not have had an outstanding balance on Direct Loans or Federal Family Education Loan (FFEL) Program loans as of Oct. 1, 1998, or on the date that you obtained a Direct Loan or FFEL Program loan after Oct. 1, 1998.

- You must have been employed as a full-time, highly qualified teacher for five complete and consecutive academic years, and at least one of those years must have been after the 1997–98 academic year.
- You must have been employed at an elementary school, secondary school, or educational service agency that serves low-income students (a low-income school or educational service agency).
- The loan(s) for which you are seeking forgiveness must have been made before the end of your five academic years of qualifying teaching service.

To be a highly qualified teacher, you must have:

- Attained at least a bachelor's degree;
- Received full state certification as a teacher; and
- Not had certification or licensure requirements waived on an emergency, temporary, or provisional basis.

Federal Student Aid (FSA) Ombudsman Group of the U.S. Department of Education (ED). If you've discovered that you are in an unqualified repayment program when you thought you were or you were originally advised that you were and wish to appeal your case you can contact the Federal Student Aid (FSA) Ombudsman Group of the U.S. Department of Education (ED). The Ombudsman Group is a neutral, informal, and confidential resource to help resolve disputes about your federal student aid.

U.S. Department of Education
FSA Ombudsman Group
P.O. Box 1843
Monticello, KY 42633

Phone 1-877 557 2575
Fax 606-396-4821

Or you can complete the secure assistance request form electronically through the Federal Student Aid (FSA) Feedback System.

If you previously filed a complaint through the FSA Feedback System, you can log in, add information to your existing case, and request to file a dispute.

C. MARYLAND STUDENT LOAN ASSISTANCE PROGRAMS

Maryland has a number of programs that are administered by specific state agencies that may be of benefit to you. These include:

❖ Maryland Student Loan Debt Relief Tax Credit Program

This program assists Maryland tax-payers who have incurred a certain amount of undergraduate or graduate student loan debt by providing a tax credit on their state income tax return. The program is administered by the **Maryland Higher Education Commission (MHEC)** and more information can be found here.

Eligibility requirements:

- You must complete the on-line application and;
- Submit your Maryland Income Tax forms, college transcripts, and lender documents.

The application deadline is September 15th and notifications will be sent in mid-December. Upon being awarded the tax credit, recipients must use the credit within two years to pay toward their college loan debt. Documentation showing proof of loan payment(s) must be submitted to MHEC. In order to apply for the credit you must have:

- A complete transcript from each undergraduate and/or graduate institution that you attended. Transcripts are not required to be official.
- Documentation from your lender(s) showing the educational loans that qualify for the credit (including the name, address, and phone number of the lender(s); account number(s); original balance(s); and outstanding balance(s); and the person(s) responsible for repayment of the loan(s).
- A copy of your Maryland income tax return for the most recent prior tax year.

The online application process is STRONGLY preferred. Paper applications, as well as any accompanying documentation, can be mailed to:

Maryland Higher Education Commission, 6 N. Liberty Street, 10th floor, Baltimore, MD 21201 (and must be postmarked by September 15th).

Maryland Student Loan Debt Relief Tax Credit

Paper Application

❖ Maryland SmartBuy/Maryland Mortgage Program

The Maryland SmartBuy / Maryland Mortgage Program, administered by the Maryland Department of Housing and Community Development (DHCD), helps homebuyers with qualifying student debt, to purchase a home. Student debt is paid upon the purchase of move-in-ready homes currently owned by, and available from, the State of Maryland using special Maryland Mortgage Program (MMP) financing. This limited time program provides all of the student debt relief offered by the original Maryland SmartBuy while making more homes eligible for purchase.

Eligibility requirements:

- Homebuyers must have an existing student debt with a minimum balance of $1,000.

- Maryland SmartBuy financing provides up to 15% of the home purchase price for the borrower to pay off their outstanding student debt. Maryland SmartBuy 2.0 offers the same student debt relief of 15% of the home purchase price with a maximum payoff of $40,000.
- The full student debt must be paid off at the time of the home purchase, and homebuyers must meet all eligibility requirements for the Maryland Mortgage program.

Financing for either Maryland SmartBuy program is available only through approved Maryland SmartBuy lenders. These lenders can help you confirm your eligibility and ensure you meet all applicable requirements.

❖ State Loan Repayment Program (SLRP) and Maryland Loan Assistance Repayment Program for Physicians (MLARP)

The State Loan Repayment Program (SLRP) is a federal program that requires a 1:1 match to Maryland Loan Assistance Repayment Program (MLARP). The MLARP program is a state program. The SLRP provides educational loan repayment funds to physicians, physician assistants and medical residents who must serve a 2 year obligation in a health professional shortage area (HPSA) or medically underserved area (MUA), either in primary care or mental health. The award is not need based. **The application deadline is April 15th.**

Eligibility requirements:

- You must be a United States citizen or U.S. National;
- You must have a medical degree and a valid unrestricted license to practice medicine in the State of Maryland at the time the service obligation begins;
- You must not have an existing or un-served service obligation with any other loan repayment program;
- You must have existing higher education loan debt and NOT be in default on any eligible higher education loan;
- You cannot have violated court-ordered child support or been delinquent in child support payments;
- You are eligible to practice at an eligible practice site.

Maryland Loan Assistance Repayment Programs and State Loan Repayment Program

Application available from the Maryland Department of Health (MDH) at https://pophealth.health.maryland.gov/Pages/State-Loan-Repayment-Program.aspx

❖ State Employee Student Loan Repayment Plan (SMARTWORK)

The State Employee Student Loan Repayment Plan (SMARTWORK) is a program, administered by the Maryland Department of Budget and Management (DBM), that offers eligible State employees working in targeted shortage areas (including public safety, psychology, nursing, and

IT) the opportunity to be reimbursed up to $20,000 over 10 years of service for student loan repayments for themselves or an eligible child. All eligible State employees start on a level playing field, with program benefits starting on January 1, 2019, which is considered the Start Date for the Plan. Employees do not receive credit for any time on the State payroll prior to January 1, 2019.

Eligibility requirements:

- You must be a state employee who holds a position in a chronic workforce shortage areas where the State has difficulty hiring and retaining employees. A complete listing of eligible job classes is available on DBM's website.
- Lender documentation that shows loan repayments made by the employee within the repayment interval (i.e. after years one, three, five, seven or ten of State service in a participating classification) for qualifying educational loans, including the name, address and phone number of the lender(s), account number(s), loan payments made during the repayment interval, and the person(s) responsible for the repayment of the loan(s). Acceptable documentation includes cancelled checks, receipts from lender, etc.
- Notarized certification attesting to the fact that the loan payments were the student loan debt of the employee or the employee's eligible child.

MODULE 4 RESOURCES:

Federal Student Aid website at the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher

Maryland Higher Education Commission
https://mhec.maryland.gov/preparing/Pages/StudentLoanDebtReliefTaxCredit.aspx

https://mhec.maryland.gov/About/SiteAssets/Pages/2019-Student-Loan-Debt-Relief-Tax-Credit-Application/Maryland%20Student%20Loan%20Debt%20Relief%20Tax%20Credit%20Application%202019%20revised%206-25-19.pdf

https://mhec.maryland.gov/Pages/loan-assistance-programs.aspx

https://mhec.maryland.gov/preparing/Pages/FinancialAid/ProgramDescriptions/prog_mlarp.aspx

Maryland Department of Housing and Community Development
https://mmp.maryland.gov/Pages/SmartBuy/default.aspx

https://mmp.maryland.gov/Pages/SmartBuy/Lenders.aspx

Maryland Department of Health
https://pophealth.health.maryland.gov/Pages/State-Loan-Repayment-Program.aspx

Maryland Department of Budget and Management
https://dbm.maryland.gov/employees/Pages/SmartWork.aspx

https://dbm.maryland.gov/employees/Documents/Student%20Loan%20Repay%20Classes%20 6.3.19.pdf

MODULE 5:

Student Education Loan Disclosure Requirements

The federal government now requires all college attendees who received federal student loan financial assistance, to complete exit counselling before they graduate or drop below half-time enrollment. The counseling session covers some of the following topics:

- The different types of federal student loans.
- The interest rates in the Direct Loan Program.
- Repayment, Repayment Incentives and Repayment Timelines.
- Strategies for avoiding Delinquency or Default.
- Your “grace” / “deferment” period, if any.
- Where and how to make your repayment.
- Loan consolidation.

Your Rights and Responsibilities as a Borrower

The following rights and responsibilities apply to both federal and private loans that you may have.

You have the right to:

- Written information on your loan obligations and information on your rights and responsibilities as a borrower;
- A copy of your Master Promissory Note (MPN), that you originally signed, either before or at the time your loan is disbursed;
- A grace period and an explanation of what this means;
- Notification, if the Department transfers your loan to another servicer without your consent;
- A disclosure statement, received before you begin to repay your loan, that includes information about interest rates, fees, the balance you owe, and a loan repayment schedule;
- Deferment or forbearance of repayment for certain defined periods, if you qualify and if you request it;
- Prepay your loan in whole or in part anytime without an early-repayment penalty; and
- Documentation when your loan is paid in full.

You are responsible for:

- Completing exit counseling before you leave school or drop below half-time enrollment;

- Repaying your loan according to your repayment schedule even if you don't complete your academic program, are dissatisfied with the education you received, or you're unable to find employment after you graduate;
- Notifying your lender or loan servicer if you:
  - Move or change my address,
  - Change your telephone number,
  - Change your name,
  - Change your Social Security number, or
  - Change employers or your employer's address or telephone number changes.
- Making monthly payments on your loan after your grace period ends, unless you have a deferment or forbearance.
- Notifying your lender or loan servicer of anything that might alter your eligibility for an existing deferment or forbearance.
- Making payments regardless of receiving billing notices. You must make payments on your loan even if you don't receive a bill or repayment notice. Billing statements (or coupon books) are sent to you as a convenience. You're obligated to make payments even if you don't receive any reminders.
- Continuing to pay while waiting for deferment or forbearance approval. If you apply for a deferment or forbearance, you must continue to make payments until you have been notified that your request has been approved. If you don't, you might end up in default.

MODULE 5 RESOURCE:

Federal Student Aid - U.S. Department of Education/FAFSA website:
https://studentaid.ed.gov/sa/sites/default/files/loan-exit-counseling.pdf

GLOSSARY OF COMMON STUDENT EDUCATION LOAN TERMS

Acceleration Clause: An acceleration clause is a loan term that allows a lender to require you to immediately repay all of the outstanding balance of a loan if you fail to meet certain requirements. An acceleration clause contains the reasons that allow a lender to demand loan repayment and the repayment that may be required. Acceleration clause trigger are typically failure to make timely payments.

Capitalization: The addition of unpaid interest to the principal balance of a loan. When the interest is not paid as it accrues during the grace period or periods of in-school status, deferment, or forbearance, your lender may capitalize the interest. This increases the outstanding principal amount due on the loan and may cause your monthly payment amount to increase. Interest is then charged on that higher principal balance, increasing the overall cost of the loan.

Default: A default can be an action or a status. Failure to repay a loan according to the terms agreed to in the promissory note is a default. For most federal student loans, you will default if you have not made a payment in more than 270 days. If you default on a federal student loan, you lose eligibility to receive federal student aid and you may experience serious legal consequences.

Private student loans often go into default status as soon as you miss four monthly payments (120 days). You can also be declared in default on a private student loan if you declare bankruptcy. Missed and/or late loan payments may constitute defaults and defaults are bad for your credit history and may make it harder to dig out of debt later. If you are having trouble making payments, or if you think you are unable to pay, contact your servicer immediately. Do not wait until your loan is in default.

Deferment: A temporary pause or postponement of your student loan payments that is allowed under certain conditions and during which interest generally does not accrue on Direct Subsidized Loans, the subsidized portion of Direct Consolidation Loans, Subsidized Federal Stafford Loans, the subsidized portion of FFEL Consolidation 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 (see, “capitalized”) of the loan(s).

The U.S. Department of Education publishes a list of the reasons qualifying you for a deferment. For example, you might seek a deferment due to your active duty military service and re-enrollment in school. If you have a subsidized loan as described above, you don’t have to pay interest on the loan during a deferment. If you have an unsubsidized loan, you are still responsible for the interest during a deferment. Note: during a deferment interest continues to accumulate on your loan and if you don't pay the interest as it accumulates, it will be added to your loan balance, and the amount you have to pay in the future will be higher.

Private student loans may or may not have a deferment option. Deferment practices vary among private lenders.

Delinquent: A loan is delinquent when loan payments are not received by the due dates. A loan remains delinquent until you make up the missed payment(s) or receive a deferment or forbearance that covers the period when you were delinquent. If you are having trouble making your monthly loan payments, you should contact your loan servicer to discuss options to keep the loan in good standing.

Dependency Status: The determination of a Free Application for Federal Student Aid (FAFSA) applicant as dependent or independent of their parents or others.

Direct Loan: Also known as **Direct Stafford Loans** are student loans that *must be repaid* and are available to both undergraduate and graduate students. First-year undergraduates are eligible for loans up to $5,500. Amounts increase for subsequent years of study, with higher amounts for graduate students. The interest rates may vary based on when the loan is borrowed. There are two types of Stafford loans:

- **Subsidized** Stafford loan - A loan for which the government pays the interest while you are in school, during grace periods, and during any deferment periods.
- **Unsubsidized** Stafford loan - A loan for which you are responsible for paying all the interest that accrues from the date of the first disbursement until the loan is paid in full.

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. If you get a direct consolidation loan, the proceeds of the loan are used to pay-off your prior loans and you will then have to make only one payment each month. As part of the process of obtaining a direct consolidation loan, the amount of time you have to repay your loan may be extended. Remember, when you consolidate your student loans, you are actually taking out a new loan.

Direct PLUS Loan for Parents: A loan made by the U.S. Department of Education to parents of dependent undergraduate students to help their children pay for college or career school. These loan help by covering any costs not already covered by the student's financial aid package, up to the full cost of attendance. A credit check is performed on the parents during the application process. The program does not set a cumulative limit on how much parents may borrow, so your parents could be eligible to borrow the amount of the remaining costs (i.e., the cost of attendance minus other aid). Direct PLUS loans are the financial responsibility of the parents, not the student.

- Direct PLUS loans have a fixed interest rate and are unsubsidized, which means that interest accrues while the student is enrolled in school. Your parents will be charged a fee for the processing of a Direct PLUS Loan, called an origination fee. An origination fee is deducted from the loan disbursement before you or the school receives the funds. For example, if a Direct Plus loan is approved in the amount of $100 with an origination fee of $4, the amount disbursed will be $96.

- Direct PLUS loans have no “grace period.” A grace period is a time after the student graduates, leaves school, or drops below half-time school enrollment when your parents don’t have to make payments (see, “Grace Period”). Parents must start repaying Direct PLUS loans as soon as you or the school receives the loan funds. However, parents may be able to request to delay making payments while their child is in school or for an additional six months after their child graduates, leaves school, or drops below half-time enrollment. Parents should contact their loan servicer for more information about how to delay making payments. Parents are still responsible for the interest that accrues while the payments are postponed and unpaid interest that accrues during the period of postponement will be added to the principal balance (see, “capitalized”) of the loan(s), increasing the total amount owed.

Direct PLUS Loan for Graduate or Professional Students: A loan made by the U.S. Department of Education to graduate or professional students. Graduate students can borrow Grad PLUS loans to cover any costs not already covered by other financial aid or grants, up to the full cost of attendance. The borrower is fully responsible for paying the interest regardless of the loan status.

Disclosure Statement: Before - or at the time of - the first disbursement (payment to you or to someone else on your behalf) of the proceeds of your loan(s), you'll receive a disclosure statement that gives you information about any loan that the school plans to disburse under your Promissory Note, including the loan amount, fees, and the expected disbursement dates and amounts.

Expected Family Contribution (EFC): The EFC is an estimate of a student's (and for a dependent student his or her parents') ability to contribute to a year of post-secondary education expenses.

The EFC is used in the student financial aid process to determine an applicant's eligibility for need-based federal student aid, and in many cases, state and institutional (college) aid. It is located on the Student Aid Report and Institutional Student Information Record sent after the Free Application for Federal Student Aid (FAFSA) is processed. If the FAFSA has not yet been filed, there are a number of calculators on the Web (see links below) that will give a good approximation of a family's EFC. The EFC is not what a student's family actually pays, it is an estimate; the actual amount paid is usually higher, sometimes much higher.

Federal Student Loans / Federal Student Aid: Federal Student Loans or federal student aid are loans or grants made or guaranteed by the Federal Government (i.e., Department of Education) to help you pay for educational expenses at an eligible college, university, or career school.

Financial Aid: When money is given in the form of grants, work-study, guaranteed loans, and scholarships to help pay for post-secondary tuition and fees, as well as related expenses such as room and board, books, supplies, and transportation.

Financial Need: The difference between the cost of attendance (COA) at a school and your Expected Family Contribution (see, "Expected Family Contribution"). While COA varies from school to school, your EFC does not change based on the school you attend.

Forbearance: Forbearance is a temporary postponement or reduction of your student loan payments that lasts for a specified period of time. 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 on the unpaid principal balance continues to accrue. Unpaid interest that accrues during the forbearance will be added to the principal balance (see, "capitalized") of your loan(s), increasing the total amount you owe.

- **Federal** student loans: Your federal student loan servicer can grant forbearance for up to 12 months at a time. You have to apply to your loan servicer for forbearance. You must continue to make payments until you receive confirmation that your servicer has accepted your forbearance request.
- **Private** student loans: Private student loan forbearance varies. It is more limited than the federal student loan forbearance. Some servicers charge borrowers a flat fee to place loans into forbearance (typically for a period of three months). Contact your private student loan servicer as early as possible if you want to explore this option.

Grace Period: For certain types of federal student loans, a period of time after you graduate, leave school, or drop below half-time enrollment, when you are not required to make payments. You are responsible for paying the interest that accrues on unsubsidized loans during the grace period. If the interest is unpaid, it will be added to the principal balance of the loan (see, "capitalized") when the repayment period begins.

Grants and Scholarships: Financial aid that doesn't need to be repaid. Grants are often need-based, while scholarships are usually merit or performance-based. Grants and scholarships are normally directly applied to your student account and may have certain conditions in order to maintain your eligibility.

- A **grant** is a type of financial aid that does not have to be repaid, unless, for example, you withdraw from school and you need to pay back some of the tuition money; they are often need-based.
- A **scholarship** is money that students receive based on academic or other achievements to help pay education expenses. Scholarships generally don't have to be repaid.

Income Driven Repayment (IDR) Plan *(also found in Module 3)*: Income-driven repayment plans cap your monthly payments at a certain percentage of your discretionary income. Your payments may change as your income or family size changes. You must submit info on your income and family size each year to stay enrolled.

If you repay your loan under an income-driven repayment plan, you may be eligible for loan forgiveness after 20 or 25 years of qualifying payments. If you work in public service, you may be eligible for loan forgiveness in as few as 10 years. Income Driven Repayment Plans are:

- Revised Pay As You Earn (REPAYE)
- Pay As You Earn (PAYE)
- Income-Based Repayment (IBR)
- Income-Contingent Repayment (ICR)

Interest: It is the cost paid for borrowing money. It is charged by a lender, and paid by a borrower for the use of borrowed money. Interest 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) that is charged by a lender or merchant for letting you use its money.

Loan: A borrowed sum of money that must be repaid, typically with interest. Students and/or parents are required to sign a promissory note when accepting an educational loan.

Loan Disbursement: The payment of loan funds by the U.S. Department of Education to the student which is generally sent directly to the school that the student is attending. Students generally receive their federal student aid in two or more disbursements. The school deducts all of its expenses and fees and forwards any remaining monies directly to the student. The process may differ for private student loans depending upon the lenders own requirements and processes.

Loan Forgiveness/Cancellation/Discharge: Forgiveness, cancellation, and discharge all refer to the cancellation of a borrower's obligation to repay all or a portion of the remaining principal and interest owed on a student loan, but are generally used in different contexts.

- "Loan cancellation" and "loan forgiveness" generally refer to the cancellation of a borrower's obligation to repay some or all of the remaining amount owed on a loan if the borrower works full-time for a specified period of time in certain occupations or for certain types of employers. "Loan cancellation" is usually used in reference to the various Perkins Loan Program cancellation benefits.
- "Loan forgiveness" is usually used in reference to the Direct Loan and FFEL Teacher Loan Forgiveness Program or the Direct Loan Public Service Loan Forgiveness Program. Borrowers are not required to pay income tax on loan amounts that are canceled or forgiven based on qualifying employment.
- "Loan discharge" generally refers to the cancellation of a borrower's obligation to repay some or all of the remaining amount owed on a loan due to circumstances such as

school closure, a school's false certification of a borrower's eligibility to receive a loan, a school's failure to pay a required loan refund, or the borrower's death, total and permanent disability, or bankruptcy. In some cases, a discharge may also entitle a borrower to receive a refund of payments previously made on a loan. Depending on the type of discharge, the amount of a loan that is discharged may be treated as taxable income.

Master Promissory Note: The binding legal document that you must sign when you get a student loan. It lists the terms and conditions under which you agree to repay the loan, and further explains your rights and responsibilities as a borrower. One Promissory Note can be used to document one or more loans for one or more academic years (up to 10 years). It is important to read and save this document because you'll need to refer to it later when you begin repaying your loan or at other times when you need information about provisions of the loan, such as deferments or forbearances.

Ombudsman: The Maryland Ombudsman's main job is to help student loan borrowers connect with their student loan servicers. That means that the Ombudsman takes complaints from Student Loan Borrowers about problems they've had with their Student Loan Servicer and then contacts the Servicer to try to help get the complaints solved. The Ombudsman also helps Borrowers understand their rights and responsibilities under the terms of their student loans.

Student Loan Servicer problems that the Ombudsman can assist with include: servicer failure to communicate with a borrower, errors in crediting principal and interest payments, misapplied payments, inaccurate interest rate calculations, billing errors, errors with respect to loan consolidations or modifications, and/or inappropriate collection activity or tactics. The U.S. Department of Education and the Consumer Financial Protection Bureau also have ombudsman offices that can assist student loan borrowers.

Perkins Loans: A Perkins Loan is a type of federal student loan made by the recipient's school. It is a loan for undergraduate and graduate students who demonstrate financial need. A Perkins Loan is a subsidized loan, meaning that the federal government pays the loan's interest while you are in school.

PLUS Loans: There are two types of PLUS loans: The Parent PLUS loan, available to parents of undergraduate students, and the Grad PLUS loan, which is available to students pursuing graduate degrees. All PLUS loans have a fixed interest rate and are not subsidized.

Principal: The total sum of money borrowed that is to be repaid.; In other words, principal is the amount of money that you originally received from the creditor and agreed to pay back the loan with interest. Note, principal may include any interest that has been added to the original principal balance (see, "capitalized").

Private Loan: A non-federal loan made by a private organization and/or lender such as a bank, credit union, state agency, or school, which set their own terms and conditions. Private loans are not the same as federal student loans, in that they are not funded or subsidized by the federal government, and are generally more expensive than federal loans. Private Loans generally do not have the same flexible repayment terms, or the full range of borrower protections as federal student loans.

Stafford Loans: See Direct Loan.

State Student Aid: Financial aid from a student's state of legal residence.

Student Aid Report: A Student Aid Report (SAR) is furnished to the student shortly upon completion of their FAFSA form and provides a student with their potential eligibility for different types of financial aid, their Expected Family Contribution (EFC), and a summary of the data a student provided in the application. Students should carefully review the SAR for errors and make any corrections as necessary. An electronic version of the SAR (called an ISIR) is made available to the colleges/universities the student includes on the FAFSA. The ISIR is also sent to state agencies that award need-based aid.

Student Loan Borrower: A person that borrows money, in the form of a loan, from a financial institution or other entity (U.S. Department of Education) to pay back later, typically with interest.

Student Loan Servicer: Your Loan Servicer is the entity responsible for sending you your bill each month, collecting payments, responding to customer service inquiries, and performing other administrative tasks associated with maintaining your federal student loan on behalf of the U.S. Department of Education. Loan servicers also track loans while borrowers are in school, maintain loan records, process payments, accept applications and process changes in repayment plans, deferments, forbearances, or other activities to prevent default. If you are unsure of who your federal student loan servicer is, you can look it up in "My Federal Student Aid."

Subsidized Loan: Subsidized loans are typically federal student loans. For all subsidized federal student loans, the U.S. Department of Education subsidizes (pays the interest on) your loan while you are in school and during periods of deferment, such as during military service. Subsidized loans are available for eligible students who demonstrate financial need. After you complete the Free Application for Federal Student Aid (FAFSA), you will be notified by your school if you qualify for a subsidized loan (see also Direct Loans).

Tax Credits (for Higher Education Expenses): Two tax credits help offset the costs (tuition, fees, books, supplies, equipment) of college or career school by reducing the amount of your income tax:

- **American Opportunity Credits** allow you to claim up to $2,500 per student per year for the first four years of school as the student works toward a degree or similar credential.

- **Lifetime Learning Credits** allow you to claim up to $2,000 per student per year for any college or career school tuition and fees, as well as for books, supplies, and equipment that were required for the course and had to be purchased from the school.
- **Coverdell Education Savings Accounts** allow up to $2,000 a year to be put aside for a student's education expenses (elementary, secondary, or college or career school).
- **Qualified Tuition Programs (QTPs; also known as 529 Plans)** are established by a state or school so that you can either prepay or save up to pay education-related expenses. Once you're in college or career school and you withdraw money from your account to pay your education expenses, the money you withdraw will not be taxed. Learn more about state 529 plans. To find out whether the college you plan to attend participates in a QTP, ask the financial aid or admissions staff.
- **Student Loan Interest Deductions** allow you to take a tax deduction for the interest paid on student loans that you took out for yourself, your spouse, or your dependent. This benefit applies to all loans (not just federal student loans) used to pay for higher education expenses. The maximum deduction is $2,500 a year.
- **IRA Withdrawals for College Costs** allow you to withdraw from an IRA to pay higher education expenses for yourself, your spouse, your child, or your grandchild. You will owe federal income tax on the amount withdrawn, but won't be subject to the early withdrawal penalty.

Unsubsidized Loan: A loan for which the borrower is fully responsible for paying the interest, regardless of the loan status, that accrues on the loan while they are in school. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan. Private student loans are typically unsubsidized and you can expect to pay all the interest that accrues, including interest that is charged while you are in school. Note, taking out this type of loan means that the interest due will be growing while you are in school and you will have to pay it back after you finish school (see also Direct Loans).

William D. Ford Federal Direct Loan (Direct Loan) Program: The federal student loan program under which eligible students and parents borrow directly from the U.S. Department of Education. Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans are types of Direct Loans.

Work-Study Program: A federal student aid program that provides part-time employment for undergraduate and graduate students with financial need while they are enrolled in school, allowing them to earn money to help pay education expenses.

GLOSSARY RESOURCES:

U.S. Department of Education: Office of Federal Student Aid / FAFSA website: https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service#qualifying-employment

U.S. Department of Education: Office of Federal Student Aid - Direct Loan Exit Counseling Guide

U.S. Department of Education: Office of Federal Student Aid - “Federal Student Loans - Repaying your Loans:”
https://studentaid.ed.gov/sa/repay-loans

https://studentaid.ed.gov/sa/sites/default/files/repaying-your-loans.pdf

https://www.consumerfinance.gov/ask-cfpb/what-happens-if-i-default-on-a-federal-student-loan-en-663/

https://studentaid.ed.gov/sa/glossary

https://studentaid.ed.gov/sa/fafsa/next-steps/accept-aid/mpn

https://studentaid.ed.gov/sa/types/tax-benefits

The Federal Consumer Financial Protection Bureau:
https://www.consumerfinance.gov/consumer-tools/student-loans/answers/key-terms/

https://www.consumerfinance.gov/practitioner-resources/youth-financial-education/glossary/

SOURCES

U.S. Department of Education: Office of Federal Student Aid / FAFSA website:

U.S. Department of Education: Office of Federal Student Aid - “Direct Loan Exit Counseling Guide”

U.S. Department of Education: Office of Federal Student Aid - “Federal Student Loans - Repaying your Loans”

The Federal Consumer Financial Protection Bureau

Office of the Commissioner of Financial Regulation - Student Loan Ombudsman

Maryland Higher Education Commission

Maryland Department of Housing and Community Development

Maryland Department of Health

Maryland Department of Budget and Management

U.S. Selective Service System