

# Loan exit counseling guide

for education loan borrowers



Student  
Financial  
Services





Student Financial Services  
Massachusetts Institute of Technology  
Room 11-120  
77 Massachusetts Ave.  
Cambridge, MA 02139  
800-537-6012 (phone)  
617-258-0700 (fax)

<http://web.mit.edu/sfs>

## Introduction

Now that you're leaving school, it's time to review the loans you borrowed to fund your MIT education and make plans for repaying them. The first thing you need to learn about is your loan servicer(s). In many cases, the loan servicer is not the same organization that originally made the loan. MIT and the federal government employ agencies to handle student loan services including billing, collecting and posting payments; processing requests for deferment, forbearance and cancellation; and responding to general borrower inquiries. See the "Loan Servicers" section below to get details on who is servicing your loan(s).

## MIT loan counselors

Your first resource is always your loan counselor in the Student and Parent Loans unit of MIT Student Financial Services (SFS). Their job is to help undergraduates, graduate and professional students, parents of undergraduates, and alumni who borrowed loans to help pay for any part of their MIT education. For those who borrowed Federal Perkins Loans and/or MIT Technology Loans, these counselors also provide more detailed information about the loan itself, such as borrowing terms and repayment conditions. Your loan counselor is assigned according to the first letter of your last name.

<b>A-G:</b>	Jocelyn Heywood	617-258-5663	<a href="mailto:heywood@mit.edu">heywood@mit.edu</a>
<b>H-O:</b>	Evelyn Browne	617-253-5606	<a href="mailto:evelyn@mit.edu">evelyn@mit.edu</a>
<b>P-Z:</b>	Eleanor Wolcott	617-253-4007	<a href="mailto:ewolcott@mit.edu">ewolcott@mit.edu</a>

General contact information for SFS Student and Parent Loans:

1-800-537-6012 (phone)  
617-258-0700 (fax)  
[loan-services@mit.edu](mailto:loan-services@mit.edu)  
[web.mit.edu/sfs/loans/repay\\_a\\_loan.html](http://web.mit.edu/sfs/loans/repay_a_loan.html)

## Loan servicers

You must notify your loan servicer immediately if you change your mailing address or other contact information. This list provides contact information for loan servicers who handle the major loan programs used by MIT students.

### Direct Loan Servicing Center

<https://www.dl.ed.gov/borrower/BorrowerWelcomePage.jsp>

- Federal Direct PLUS Loan
- Federal Direct Stafford Loan (subsidized & unsubsidized)

### Campus Partners

<https://www.mycampusloan.com>

- Federal Perkins Loan
- MIT Technology Loan

## Staying on top of your loans

The promissory note you signed for the Perkins and Federal Direct Stafford Subsidized/Unsubsidized and Federal Direct Graduate/Professional PLUS Loan is a Master Promissory note and need only to be signed once. The note is in effect for ten years provided a disbursement is made within a year of signing the note.

As you learned when you signed your loan promissory note(s), you are legally obligated to repay all education loans even if you're unemployed, having financial problems or left school before graduating. There are many circumstances, including financial hardship, that may qualify you for postponing or reducing your loan payments, but **you must apply for and receive permission** from your loan servicer.

Repaying your loans on time will help you establish and maintain a good credit rating. Timely repayment also helps ensure that there will be loan funds available for future MIT students to borrow. A few tips to keep in mind:

- Make a permanent, secure file for all your loan documents.
- Make a budget to track your loan payments as well as other expenditures.
- Notify your loan servicer every time you change your address, telephone number or e-mail address.
- Ask for help sooner rather than later. If there's something you don't understand or you're having trouble making payments, talk to your loan servicer or your MIT loan counselor.
- You can prepay your loan without penalty at any time. All payments are applied first to any outstanding fees, then to interest and then to your principal loan balance.
- Consider authorizing automatic electronic monthly payments.
- For information on tax benefits for interest, see page 10.

Failure to repay any Federal or MIT Technology student loan may result in:

- You could be declared ineligible for further Federal financial aid at MIT or at other colleges and universities.
- You may lose certain deferment privileges.
- Your loan will be referred to an outside collection agency and you will be responsible for paying collection costs.
- Additionally, your account may be referred to an attorney for collection and/or litigation. Court costs and attorney fees will be added on to the amount you have to pay.
- Finally, your Federal loans will be referred to the U.S. Department of Education for collection, and ultimately, it will be deducted from your federal tax refund.

### ***Making a budget***

To get a clear picture of how much money you'll need for everything, not just loans, you should make a personal budget that details your expenses each month. You can customize the basic budget outline on pages 6-7 based on your individual circumstances.

Credit cards may seem like a good way to spread payments for purchases over time, but they usually carry a very high interest rate. In some cases the rate goes up after a

low introductory rate. Rate increases and finance charges may also occur if you're late in making even a single payment. To keep your spending under control and maintain a good credit rating, have only one credit card and pay off your total balance each month. If that's not possible, always pay more than the minimum.

## **Your credit rating**

All student loans are reported to national credit bureaus. When you make your loan payments on time, you're establishing a good credit rating, which you'll need in the future to get a mortgage, car loan, home equity loan, etc. Conversely, late loan payments will hurt your credit rating.

The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies – Equifax, Experian, and TransUnion – to provide you with a free copy of your credit report, at your request, once every 12 months. A credit report includes information on where you live, how you pay your bills, and whether you've been sued, arrested, or filed for bankruptcy. Nationwide consumer reporting companies (also called credit bureaus or credit agencies) sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home.

If you think your credit rating has been compromised because you're delinquent or in default on a loan, or because of possible identity theft, you may request a credit report from [www.annualcreditreport.com](http://www.annualcreditreport.com), a secure web site that will ask you to authenticate your identity (though you may also obtain reports by using the phone or e-mail contacts on that site).

If you don't want the credit agencies to release your contact information to banks or other companies, which might use it for bulk mail or telephone offers, call the credit reporting industry's "opt-out" number at 888-567-8688.

## **Repayment options**

Depending on what type of loan(s) you have, you may be offered a choice of repayment plans. Your selection depends largely on how you expect your income to evolve over the next few years. Options may include standard, extended, graduated or income-contingent repayment plans. You may be tempted to go with the easiest repayment terms right out of school, but you could end up paying more for that decision. Extending the repayment period or reducing payments while your loan principal is high will significantly increase your interest costs. Contact your appropriate lender if you wish to change your repayment schedule.

With some loans, if you choose not to pay the interest that accrues on your loan when you're not required to make payments, the loan servicer will add the unpaid interest to the unpaid principal amount of your loan. This is called capitalization. Capitalization increases the total amount you'll have to repay, because you'll have to pay interest on this higher principal balance. Federal Perkins and MIT Technology Loans cannot be capitalized.

# Your monthly budget

Use this worksheet to track your expenses each month to make sure you're spending your money wisely and are allotting enough of your income to pay off your debts.

## Education loans:

Federal Perkins Loan \_\_\_\_\_  
Federal Direct Stafford Loan (subsidized) \_\_\_\_\_  
Federal Direct Stafford Loan (unsubsidized) \_\_\_\_\_  
Federal Direct PLUS Graduate Loan \_\_\_\_\_  
MIT Technology Loan \_\_\_\_\_  
Other education loans \_\_\_\_\_

## Other loan payments:

Credit card #1 \_\_\_\_\_  
Credit card #2 \_\_\_\_\_  
Car loan \_\_\_\_\_  
Home equity loan \_\_\_\_\_

## Rent or mortgage:

\_\_\_\_\_

## Utilities:

Gas \_\_\_\_\_  
Oil \_\_\_\_\_  
Electricity \_\_\_\_\_  
Water/sewer/trash collection \_\_\_\_\_  
Cable TV \_\_\_\_\_  
Home phone \_\_\_\_\_  
Cell phone \_\_\_\_\_  
Internet \_\_\_\_\_

## Transportation:

Auto insurance \_\_\_\_\_  
Repairs \_\_\_\_\_  
Gas \_\_\_\_\_  
Public transportation \_\_\_\_\_

**Insurance:**

Health insurance \_\_\_\_\_  
Homeowner’s or renter’s insurance \_\_\_\_\_  
Life insurance \_\_\_\_\_

**Out-of-pocket medical/dental expenses:**

Office visits \_\_\_\_\_  
Medications \_\_\_\_\_

**Children:**

Child care, tuition, summer camp \_\_\_\_\_  
Clothes, toys, equipment, etc. \_\_\_\_\_

**Food:**

Groceries \_\_\_\_\_  
Takeout/lunch at work \_\_\_\_\_

**Clothing:**

Purchases \_\_\_\_\_  
Cleaning \_\_\_\_\_

**Entertainment:**

Event tickets \_\_\_\_\_  
Books and music \_\_\_\_\_  
Club memberships, lessons, etc. \_\_\_\_\_  
Dining out \_\_\_\_\_  
Vacation \_\_\_\_\_

**Home improvements:**

(furniture, appliances, repairs, etc.) \_\_\_\_\_

**Savings:**

\_\_\_\_\_

**Miscellaneous:**

(charitable donations, gifts, allowances, etc.) \_\_\_\_\_

**TOTAL MONTHLY EXPENSES:**

**MONTHLY SALARY** (after taxes):

## Problems in paying

If you're facing a large amount of debt, you might be tempted to skip or postpone some of your student loan payments. Instead, you should immediately contact your loan servicer (or in the case of Federal Perkins and MIT Technology Loans, your MIT loan counselor) to discuss other repayment plan options, and to find out whether you're eligible for a deferment or a forbearance. They'll work with you to help you avoid the serious consequences of delinquency and default.

### ***Deferment, forbearance and cancellation***

If you're having trouble making your loan repayments, you may be eligible for a deferment, forbearance or even a cancellation in some cases. However, none of these is granted automatically. You must request a deferment, forbearance or cancellation in writing. To see whether you qualify and learn how to apply, contact your MIT loan counselor (for Federal Perkins and MIT Technology Loan borrowers) or your loan servicer (for all other loans).

A **deferment** lets you temporarily stop making payments on your loan. Deferments are granted for a limited amount of time. You are not responsible for paying the interest on subsidized loans during a period of deferment. However, you are responsible for paying the interest on your unsubsidized loans during deferment. If you are in default on your loan, you are **not** eligible for a deferment.

If you can't make your scheduled loan payments but don't qualify for a deferment, you may be eligible for a **forbearance**. A forbearance lets you stop making payments or make smaller payments on your loan for a specified period, or extend the time for making payments. Interest is charged on both subsidized and unsubsidized loans during forbearance. You may qualify for a forbearance due to illness, financial hardship, or service in a medical or dental internship or residency. A **cancellation** releases you from all or part of your obligations to repay your loan.

### ***Rehabilitation***

If you have defaulted on a loan, all is not lost. After making 9 consecutive on-time monthly payments in amounts agreed to by your lender, you may be granted rehabilitation. This means your loan will be returned to regular repayment status, the default will be removed from your credit history and you will again be eligible to borrow education loan funds. Check with your MIT loan counselor or loan servicer for details.

## Resolving disputes about federal loans

The Federal Student Aid (FSA) Ombudsman works with federal student loan borrowers to resolve loan disputes or problems from an impartial, independent viewpoint. If you have a problem with a federal student loan, contact the holder or servicer of the loan and try to resolve the problem. If you can't resolve the problem with the loan holder, contact the FSA Ombudsman:

877-557-2575

[fasombudsmanoffice@ed.gov](mailto:fasombudsmanoffice@ed.gov)

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

## Loan consolidation

By combining your education loans into one new consolidated loan, you may be able to reduce the interest rate you're paying on your loans and also your monthly payments. The original loans are paid in full and you then have a new loan with new terms and conditions for the combined balance, so you write one check to one lender. With some consolidations, you may even qualify if your loans are in default.

Federal Direct Loans:

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

The above link is for Federal Loan consolidation only. If you are interested in consolidating your private loans, we recommend that you contact your loan servicer for more information.

### ***What to consider when consolidating***

- Review your goal(s) for consolidation. Are you struggling to make ends meet? If so, will consolidation free up some money that can be put to better use, such as paying off higher-interest debt such as credit cards?
- Which loans are eligible, and which do you plan to consolidate?
- Is there a minimum or maximum amount you can consolidate?
- Are there any application fees?
- What is the maximum payback period?
- Are there deferment, forbearance or prepayment options?
- Will the repayment option you chose under consolidation significantly increase the total cost of repaying your loans? If so, is the extra cost worth the added flexibility of reduced monthly payments?
- Will you lose any borrower benefits by consolidating? If so, what's the impact of losing these benefits? For example, Perkins Loans are eligible for additional cancellation benefits, such as performing certain kinds of public service. This benefit is lost when a Perkins Loan is included in a Direct Consolidation Loan. Another example is that borrowers who consolidate loans that are in the grace period may lose any remaining grace period.

# External contact information

See page 3 for contact information for loan counselors in MIT Student Financial Services.

## CREDIT REPORTING SERVICES

**Annual Credit Report Request Service**..... [www.annualcreditreport.com](http://www.annualcreditreport.com)

P.O. Box 105281  
Atlanta, GA 30348-5281

**Equifax Credit Information Services** .....[www.equifax.com](http://www.equifax.com)

P.O. Box 740241  
800-685-1111  
Atlanta, GA 30374-0241

**Experian National Consumer Assistance Center** .....[www.experian.com](http://www.experian.com)

P.O. Box 2002  
Allen, TX 75013  
888-397-3742

**TransUnion** ..... [www.tuc.com](http://www.tuc.com)

P.O. Box 1000  
Chester, PA 19002  
800-916-8800  
800-680-7289 (Fraud Victim Division)

## LOAN INFORMATION LOCATORS

**National Student Loan Clearinghouse Loan Locator** ..... [www.studentclearinghouse.org/students](http://www.studentclearinghouse.org/students)

**National Student Loan Data System (NSLDS)** ..... [www.nsls.ed.gov](http://www.nsls.ed.gov)

## PRIMARY LOAN SERVICERS

**Campus Partners**.....[www.mycampusloan.com](http://www.mycampusloan.com)

**Direct Loan Servicing Center** ..... [www.dlsonline.com](http://www.dlsonline.com)

800-848-0979

011-315-738-6634 (from overseas)  
800-848-0983 (hearing-impaired)

### **Mailing payments:**

Direct Loan Payment Center  
P.O. Box 530260  
Atlanta, GA 30353-0260

### **Other correspondence:**

Borrower Services Department  
P.O. Box 4609  
Utica, NY 13504-4609

**FEDERAL DIRECT LOAN CONSOLIDATION CENTER**.... [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

800-557-7392

800-557-7395 (hearing-impaired)

**FEDERAL STUDENT LOAN OMBUDSMAN** .....[www.ombudsman.ed.gov](http://www.ombudsman.ed.gov)

877-557-2575

**TAX BENEFITS FOR EDUCATION**.....[www.irs.gov/publications](http://www.irs.gov/publications)

(see IRS Publication 970)



