



## Direct Loan and TEACH Grant Exit Counseling

*\*If you did not receive Title IV aid from these programs through Grand Canyon University, please disregard this information.*

### **Direct Loan**

Understanding your student loan rights and responsibilities is critical to successful repayment of your student loans! Please visit <https://studentaid.gov/app/counselingInstructions.action?counselingType=exit> for an extensive online exit counseling session.

### **Student Loan Participants**

- **Borrower:** Applies for the loan and receives the proceeds (money); YOU
- **Lender/Loan Holder:** Funds education loans. U.S. Department of Education administers the Direct Loan program
- **Loan Servicer:** Administers and collects loan payments for the lender

### **Types of Direct Loans**

- William D. Ford Federal Direct Loan Program (Subsidized and Unsubsidized)
  - **Subsidized loans:** The government pays interest that accrues during periods of at least half-time enrollment, the grace period, and authorized periods of deferment
  - **Unsubsidized loans:** You are responsible for interest. Try to pay the interest while in school to avoid a higher principal balance (interest is added to your principal balance [capitalized] if not paid)

### **Master Promissory Note (MPN)**

Your rights and responsibilities are included in this guide and on your **Master Promissory Note (MPN)**. Your MPN is the binding legal document you signed, indicating your commitment to repay your loans. The multi-year feature of your MPN is good for 10 years from the date you signed it. A new MPN will be required if:

- you declare bankruptcy, or
- your initial 10-year period expires

### **Record Keeping**

**Keep track of your loans!** To monitor all your federal student loan debt, you may access online at <https://studentaid.gov> or call (800) 4-FED-AID. You will need your federal FSA ID to view your loan history.

### **Repayment**

Your student loans are held by the Department of Education. A loan servicer will be assigned to your account and will contact you directly after the first disbursement is made on your loan. If you need help in identifying who your servicer is, log in at <https://studentaid.gov>.

**Repaying your student loan is a VERY serious obligation.** You are required to make your student loan payments even if you:

- do not complete your education
- do not find employment, or
- are not satisfied with the education you received

**You must notify your servicer if any of the following changes:**

- Name, Address, Telephone Number, Email Address
- Enrollment status, Employment Information

**Repayment Begins:** Direct Loans have a grace period of six months before you enter repayment. This grace period begins the day after you stop attending school at least half time. Your first payment will be due within 60 days from the last day of your grace period.

- Each loan has only one 6-month grace period. If you took a break from school that was longer than six months, you may have already used the grace period on some of your loans.
- If you do not receive information from your servicer regarding your payments, **it is your responsibility to contact your servicer!** Not receiving notification does not excuse delinquency or default.
- There is no penalty for making payments during your grace period. Paying ahead will decrease the total amount of interest you pay over the life of your loan.

### **Payment Schedule Options**

You have the option to prepay each loan, pay each loan on a shorter schedule, and change repayment schedules.

**NOTE: While lower payments and extended terms may be helpful and prevent default, they also will increase the amount of interest you pay over the life of the loan!**

#### **Standard Repayment Plan**

- 10-year maximum term
- Minimum monthly payment is \$50, but may be higher depending on the balance
- Equal monthly payment amount
- Ensures quickest payoff and minimizes total interest costs

#### **Graduated Repayment Plan**

- 10-year maximum term
- Begins with lower payment amounts that increase every 2 years
- Payment cannot be lower than your monthly interest amount
- More interest will accrue over the life of the loan because the principal balance decreases at a slower rate

#### **Extended Repayment Plan**

- 25-year maximum term
- Must not have an outstanding balance on Direct or Grad PLUS Loans on October 7, 1998
- Must have more than \$30,000 in outstanding FFELP loans or Direct Loans (cannot combine the total from both programs)
- Payment amounts can be either fixed or graduated
- More interest may accrue over the life of the loan because the principal balance decreases at a slower rate

#### **Saving on a Valuable Education Plan (SAVE, formerly REPAYE)**

- Any outstanding balance will be forgiven after 20 to 25 years
- Payments will be 10% of discretionary income
- Payments recalculated each year based on updated income and family size
- May have to pay income tax on the amount forgiven
- More interest may accrue over the life of the loan because the principal balance decreases at a slower rate

#### **Pay-As-You Earn Plan (PAYE)**

- Any outstanding balance will be forgiven after 20 years
- Payments will be a maximum of 10% of discretionary income
- Payments recalculated each year based on updated income and family size
- Must be a new borrower as of 10/1/2007 and have received a disbursement after 10/1/2011
- May have to pay income tax on the amount forgiven
- More interest may accrue over the life of the loan because the principal balance decreases at a slower rate

### **Income-Based Repayment Plan (IBR)**

- Any outstanding balance will be forgiven after 20 to 25 years
- Payments will be 10 to 15% of discretionary income
- Payments recalculated each year based on updated income and family size
- May have to pay income tax on the amount forgiven
- More interest may accrue over the life of the loan because the principal balance decreases at a slower rate

### **Income-Contingent Repayment Plan (ICR)**

- Any outstanding balance will be forgiven after 25 years
- Payments will be the lesser of 20% of discretionary income or the amount you would pay on a repayment plan with a fixed payment over 12 years
- Payments recalculated each year based on updated income and family size
- May have to pay income tax on the amount forgiven
- More interest will accrue over the life of the loan because the principal balance decreases at a slower rate

### **Income-Sensitive Repayment Plan**

- 10-15 year maximum term
- Only available for FFELP loans, not Direct Loans
- An adjusted payment amount based on gross income
- Payment cannot be lower than your monthly interest amount
- Eligibility and payment amount will be adjusted annually
- More interest will accrue over the life of the loan because the principal balance decreases at a slower rate

### **Direct Consolidation Loan**

Through consolidation, a lender or the U.S. Department of Education buys all your eligible loans and combines them into one new loan. You must be in your grace period or repayment on all your loans to apply for a Direct Consolidation Loan. Consolidation offers some benefits:

- Combines existing federal loans into a single loan with one monthly payment
- Fixed interest rate based on the weighted average interest of all the loans to be consolidated, rounded to the next one-eighth percent, not to exceed 8.25 percent
- Extends your repayment period up to 30 years based on loan balance
- Option to prepay your loan or change repayment plans

Consolidation also has some disadvantages:

- Extra interest over the life of the loan, if you are eligible for a longer repayment period
- Loss of eligibility for certain deferment, forgiveness, cancellation, and grace period benefits
- Different lenders may offer different borrower benefit programs and you may lose some former borrower benefits if you consolidate

### **Comparison of Repayment Options**

As noted above, your payment amount depends on a variety of factors, including your loan balance, interest rate, and in some circumstances, your income and family size. To provide you with a comparison of payment options, we've developed this scenario:

You are single with two children. Your AGI is \$30,000. The poverty level for your family size (3) is \$18,310. You enter repayment with a loan balance of \$32,000 (original principal + capped interest). For the purpose of income-based repayment, 150 percent of the poverty level is \$27,465. Your income exceeds this amount by \$2,535.

After two years in repayment you increase your annual salary to \$60,000, stay at that salary, and experience no changes in your family size for the remainder of your repayment term.

Based on this scenario and an interest rate of 6.39 percent, your monthly payments might look something like this:

Repayment Option	Maximum Repayment Period	Monthly Payment Amount	Total Interest Paid	Total Amount Paid
Standard	10 years	120 payments of \$368.25	\$12,190.84	\$44,190.84
Graduated*	10 years	24 payments of \$184.81 36 payments of \$209.62 60 payments of \$236.71	\$36,792.28	\$68,792.28
Income-sensitive**	10 years***	24 payments of \$184.81 120 payments of \$368.25	\$16,626.28	\$48,626.28
Income-contingent	25 years	24 payments of \$194.83 130 payments of \$328.86	\$15,427.72	\$47,427.72
Income-based	25 years	24 payments of \$31.69 140 payments of \$368.25	\$21,007.72	\$53,007.72
Extended – fixed payments	25 years	300 payments of \$222.10	\$34,630.92	\$66,630.92
Extended – graduated payments*	25 years	24 payments of \$184.81 36 payments of \$209.62 240 payments of \$236.71	\$36,792.28	\$68,792.28

\*The number and length of each payment tier may vary depending on your loan holder(s). The exact payment amounts may vary as well, however, the lowest amount allowed is interest only and no one payment can exceed 3 times that of any other.

\*\*Additional assumptions: Your loan holder determines (from income documentation you supply) that interest only is a reasonable payment upon your request for income-sensitive repayment. When your salary increases after two years you decide you no longer wish to be on the income-sensitive plan and do not reapply. Your lender does extend your repayment term one year for each year you request the income-sensitive payment plan.

\*\*\*Repayment period may be extended one year for each year you request income-sensitive repayment, for a maximum of five additional years.

***For specific questions about your payment amount or more specific information about the various repayment plans, check with your servicer.***

### **Solutions for Repayment Problems**

If lower monthly payments are still too much, you may be able to temporarily postpone your payments through deferment or forbearance.

**Deferment:** A deferment allows you to postpone your scheduled monthly payments if you meet specific requirements. The length of your deferment depends on the type. Common deferments:

- In-school attending at least half time
- Military service
- Unemployment
- Economic hardship
- Graduate fellowship program
- Rehabilitation training program

Talk to your servicer about specific deferment provisions. Different deferment options apply to borrowers who had outstanding balances on pre-July 1, 1993 FFELP loans when they obtained subsequent loans. For more information, contact your servicer.

### **Who pays the interest while you are in deferment?**

- Subsidized Direct Loans = the Federal government
- Unsubsidized Direct Loans = **YOU**

**How do you request a deferment?** Contact your servicer, submit the required documentation for the deferment, and continue making payments while waiting for approval.

**Forbearance:** If you do not meet the criteria to qualify for a deferment, your servicer may allow you to temporarily stop making payments with a forbearance. Most forbearances are discretionary - it is completely up to your servicer to approve. Under certain provisions, servicers are required to grant a forbearance, such as if your student loan payment is greater than 20 percent of monthly income or if you are in an internship or residency.

**Your servicer may grant a forbearance if you are:**

- Experiencing personal problems (for example, poor health or financial hardship)
- Affected by circumstances such as a local or national emergency, military mobilization, or natural disaster; or
- Serving in a position that may qualify you for loan forgiveness, partial repayment of your loan, or a national service educational award

Regardless of loan type, **YOU** are responsible for the interest that accrues during a forbearance. You may choose to pay the interest as it accrues or allow it to capitalize (increases the total outstanding debt and can increase your monthly payment).

**Loan Discharge:** You are generally obligated to repay your student loan, regardless of what happens. Typically, student loans may not be discharged through bankruptcy. Your loan may be discharged if:

- you die before completing repayment
- you are totally and permanently disabled and meet certain additional criteria
- your school fails to pay a refund if you withdraw
- you are unable to complete your program of study due to school closure
- your loan was falsely certified because of identity theft, or
- your school falsely certified a loan application for you without your approval

**Teacher Loan Forgiveness:** Eligible teachers may receive loan forgiveness up to \$5,000 of the aggregate loan amount, or up to \$17,500 for highly qualified special education or secondary math or science teachers, if they meet the following criteria:

- For loans received under the FFELP or Direct Loan Programs after October 1, 1998
- Teach in qualifying low-income elementary or secondary school for 5 consecutive years and meet certain other qualifications

**Public Service Loan Forgiveness:** There is a loan forgiveness program for public service employees with Federal Direct Loans or a Federal Direct Consolidation Loan. You may be eligible to have the remaining loan balance of your non-defaulted loans forgiven if you have:

- made 120 monthly payments on the eligible loans after October 1, 2007 and
- been employed in a public-service job during the 120-month period and are employed in a public-service job at the time of such forgiveness.

**Default**

If you fail to make your student loan payments for 270 days, your loan will default. The consequences of defaulting on your loan are very serious:

- Damage to credit rating, which could impact your ability to borrow
- Referral of account to a collection agency
- Collection costs
- Garnishment of wages
- Withholding of state or federal Treasury payments (including federal tax refunds, Social Security benefits, etc.)
- Civil lawsuit, including court costs and legal expenses
- Loss of deferment and forbearance entitlements and flexible repayment options
- Loss of eligibility for further financial aid
- Suspension of a professional license

**Education Tax Benefits** (Contact your tax advisor for additional information)

- **Tax credits**
  - **American Opportunity Tax Credit:** Tax credit for qualified education expenses up to \$2500 annually, maximum of four years
  - **Lifetime Learning Tax Credit:** Tax credit for qualified education expenses up to \$2000 annually, no maximum of years
- **Tax deductions**
  - **College Tuition and Fees Deduction:** Reduce taxable income for higher education expenses

- **Student Loan Interest Deduction:** Deduct a portion of interest paid on student loans
- **Other potential tax benefits:**
  - Education IRA withdrawals
  - Educational assistance provided by an employer (tuition reimbursement programs)
  - Your state may offer tax credits or deductions. Contact your state tax authority for more information

**For more information, you can contact:**

- The U.S. Department of Education offers additional information on repaying your loan at <http://studentaid.gov/manage-loans/repayment/plans>
- GCU Student Loan Assistance Department at (602) 639-6777 or email us at [studentloanassistance@gcu.edu](mailto:studentloanassistance@gcu.edu)

**Money Management**

**Establish yourself financially by building good credit and budgeting to keep your "wants" under control:**

- Open checking and savings accounts. Don't overdraw these accounts.
- Make your monthly payments for loans and services on time each month.
- Create a spending plan that meets your "wants" as well as your "needs." Your total expenses should be less than or equal to your total income.
- If things are getting out of control, contact your creditors, seek help from a reputable credit counseling service or look into debt consolidation.

**Start saving now!** Try paying yourself first. Start an emergency savings fund equal to **three to six months of your normal monthly earnings** first.

**Use your credit cards wisely** to help you establish a solid credit rating and avoid financial problems. **Every time you use your credit card, you are borrowing money.** If you don't pay your balance each month, you will have to pay a finance charge. Keep copies of all of your credit card records and receipts to compare to your monthly statements. Follow up on any errors. Shred or otherwise destroy carbons and receipts before throwing them away.

**Review your credit report**, a collection of information about you and your credit history. Request your free credit reports at <https://www.annualcreditreport.com/index.action> annually and review them to ensure the information is accurate.

**Rights and Responsibilities**

You have the right to the following:

- Written information on loan obligations, including loan consolidation and information on my rights and responsibilities
- A copy of the promissory note and return of the note when the loan is paid in full
- Before repayment: information on interest rates, fees, the balance owed on loans, a loan repayment schedule, and an explanation of default and its consequences
- Notification, if you are in your grace period or repayment, no later than 45 days after a lender assigns, sells, or transfers your loan to another lender
- A grace period, if applicable, prepayment of the loan without penalty; and federal interest benefits, deferments, and forbearances if you qualify

You are required to do the following:

- Repay the loan according to the repayment schedule and notify the lender of anything that affects my ability to repay or eligibility for deferment or cancellation
- Notify the school and servicer if you graduate, withdraw, drop below half-time, transfer to another school, or change my name, address, or Social Security number
- Notify the servicer if you fail to enroll for the period covered by the loan
- Complete an exit interview before leaving school

If you need more information about your federal student loans, visit <https://studentaid.gov> or call them at (800) 4-FED-AID.

**TEACH Grant Exit Counseling**

Understanding your TEACH (Teacher Education Assistance for College and Higher Education) grant rights and responsibilities is critical for any TEACH grant recipient. TEACH Grant Exit Counseling is required. Below are a few highlights to complete the exit counseling. Please visit the Department of Education's website:  
<https://studentaid.gov/app/teachExitCounseling.action#!/teachExit/launch>

The U.S. Department of Education's (ED) 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 an Unsubsidized Direct Loan that you must repay with interest.

TEACH Grant recipients will communicate directly with the U.S. Department of Education (ED) to

- Submit and manage <https://studentaid.gov/teach-certification/>, and upload suspension and discharge requests on <https://studentaid.gov/fsa-id/sign-in/>;
- Request a voluntary TEACH Grant conversion or reconsideration of loan conversion at 1-888-303-7818; and
- Mail or fax requests for suspension, discharge, and reconsideration of loan conversion to:

Federal Student Aid Programs - TEACH  
P.O. Box 300010  
Greenville, TX 75403  
Fax: 540-212-2415

- If a grant recipients TEACH Grants are converted to loans, the Department offers TEACH Grant conversion counseling on StudentAid.gov that explains the terms and conditions that apply to the loan, how the new loan affects the student's overall loan balance, and options available to help with repayment.

Throughout your service obligation period, your TEACH Grant servicer will send you a notice at least once each year that—

- Explains the terms and conditions you must meet to satisfy your service obligation;
- Reminds you of the requirement to submit a certification of your qualifying teaching service after you have completed each year of teaching;
- Tells you the number of years of your service obligation that you have completed and the timeframe within which you must complete the remaining portion of your required 4-year service obligation;
- Explains the conditions under which you may request a temporary suspension of the period for completing your service obligation;
- Explains the conditions under which your TEACH Grants will be converted to Direct Unsubsidized Loans;
- Tells you the potential total amount of interest you would have to pay if your TEACH Grants are converted to loans;
- Explains the process by which you may contact us to request reconsideration of the conversion of your TEACH Grants to loans, provides the deadline by which you must submit the request for reconsideration, and lists the specific documentation you must provide for us to reconsider the conversion; and
- Explains that if you have decided not to teach in a qualified school or field or for any other reason no longer intend to satisfy your service obligation, you can avoid further interest accrual by requesting that we convert your TEACH Grants to Direct Unsubsidized Loans that you can begin repaying immediately.

**Within 120 days** after you complete or otherwise cease to be enrolled in the program for which you received your TEACH Grant, you must upload documents to <https://studentaid.gov> that you:

- Are employed as a full-time teacher in accordance with the terms and conditions of the TEACH Grant Program; *or*
- Are not 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 are not yet employed in a qualifying teaching position, you must notify <https://studentaid.gov> at least **once each year** that you still intend to satisfy your service obligation. Once you begin your qualifying teaching service, you must provide <https://studentaid.gov> 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 at <https://studentaid.gov/teach-exit-counseling/demo/documenting-service>. This form must be certified by the chief administrative officer of the school where you taught for the year being certified.

To complete your TEACH grant Exit interview online please visit:  
<https://studentaid.gov/app/teachExitCounseling.action#!/teachExit/launch>

### **Federal Student Aid Ombudsman**

The U.S. Department of Education's Federal Student Aid (FSA) Ombudsman can help resolve problems related to student loans (including TEACH Grants that have been converted to Direct Unsubsidized Loans) when other approaches have failed. It is important to keep all of your TEACH Grant papers and correspondence for your records. You should contact your TEACH Grant servicer or loan servicer first to try and resolve the problem. If you are unable to resolve the problem on your own, you may contact the FSA Ombudsman for assistance. You can reach the FSA Ombudsman at:

U.S. Department of Education  
FSA Ombudsman Group  
P.O. Box 1843  
Monticello, KY 42633  
Phone: 1-877-557-2575 Fax: 1-606-396-4821  
Website: <https://studentaid.gov/feedback-ombudsman/disputes/prepare>