

STUDENT DEBT RELIEF SCAMS

Some companies claim that they can help save you money on monthly student loan payments.

These companies may charge hundreds of dollars for services that you can access for free.

You do NOT need to pay anyone to enroll in a borrower assistance program that the federal government provides for free.

Federal programs include loan consolidation, income-based repayment plans, and loan forgiveness.

The government even provides options to borrowers who have already defaulted, such as loan rehabilitation.

Any New Yorker who would like to file a complaint about a student debt relief company or other potential abuse can call DFS at (212) 480-6400, toll-free (800) 342-3736, or visit us on the web at www.DFS.ny.gov.

STUDENT PROTECTION UNIT

The Department of Financial Services Student Protection Unit (SPU) works to enhance consumer protections for New York students and help them build financially sound futures.

The goals of the SPU are to:

- Protect students from fraud and misrepresentation by taking appropriate action, such as enforcing applicable laws and encouraging industry transparency
- Provide unbiased and objective information on industry practices and the functions of student-related financial products
- Educate student consumers and their parents regarding available financial products and services and empower them to make informed choices

Visit the DFS

Student Lending Resource Center at:
dfs.ny.gov/studentprotection



What You Need to Know About...

DEFERMENT AND FORBEARANCE OF FEDERAL STUDENT LOANS

This guide is provided for informational purposes only and does not constitute legal advice.

Department of Financial Services

(212) 480-6400

(800) 342-3736

www.DFS.ny.gov

Important information about what to do when you are having trouble paying off your student loans.

DEFERMENT

Deferment allows you to temporarily delay the repayment of the interest and principal on your loan, generally for up to 3 years.

Circumstances where deferment may be beneficial:

- In school
- Unemployed or unable to find full-time employment
- Economic Hardship
- Active military service
- Period of time when qualifying for Perkins Loan Cancellation or Discharge

In deferment, the federal government may pay the interest on:

- Federal Perkins Loans
- Direct Subsidized Loans
- Subsidized Federal Stafford Loan

Deferments are not automatic. You must request one from your loan servicer and there is a limit to how long your loans can be in deferment.

The federal government **will not pay the interest** on unsubsidized or Plus loans. You are responsible for paying interest that accrues. If you don't pay the interest while in deferment, it may be capitalized (added) into the principal.

Before entering deferment or forbearance, consider whether one of the federal government's **income-driven repayment plans** better suits your current

FORBEARANCE

Forbearance allows you to stop making loan payments or reduce your payment amount for up to 12 months.

Circumstances where forbearance may be beneficial include:

- Illness
- Short term financial hardship
- Qualifying military, teaching, national service positions

Forbearances are not automatic. You must request it from your loan servicer. In some cases, you must provide documentation to support your request.

During forbearance, **interest will continue to accrue** on all loan types—subsidized, unsubsidized and Plus loans. Your loan balance could increase as the unpaid interest will be capitalized (added) to the principal.

DISCRETIONARY FORBEARANCE

In discretionary forbearance your lender decides whether or not to grant forbearance in cases of:

- Illness
- Financial hardship

MANDATORY FORBEARANCE

As long as you meet one of the following conditions you will qualify for mandatory forbearance:

- Monthly payment on student loans is more than 20% of total monthly gross income
- Qualifying military service
- Qualifying teaching service
- Qualifying national service positions
- Medical or dental internship or residence

Learn more about loan repayment options from your loan servicer, visit the US Department of Education at studentaid.ed.gov or use the Consumer Financial Protection Bureau interactive student loan repayment guide at consumerfinance.gov