



How to Avoid Student Loan Debt Distress Tips + Free Help and Resources

INSIDE:

Before You Enroll in a School or Training Program p.3

Before You Take out Student Loans for Yourself or a Child p.4

Once You Have Student Loans p.6

Free Help and Resources p.9



Bill de Blasio
Mayor

**Consumer and
Worker Protection**

Lorelei Salas
Commissioner

Before You Enroll in a School or Training Program

The school or training program you choose should be reputable and, hopefully, affordable. Use these tips to help you in your search. Please also read “Before You Take out Student Loans for Yourself or a Child.”

Consider free and low-cost adult education and training options.

NYC Department of Education Resources

Visit schools.nyc.gov or call **311** and ask about:

- help earning your high school diploma or Test Assessing Secondary Completion (TASC); or
- help getting ready to enroll in college or begin career training; or
- job training options, including Adult Learning Centers in Brooklyn, Manhattan, Queens, and the Bronx.

Other Resources

- City University of New York (CUNY): cuny.edu
- State University of New York (SUNY): suny.edu
- public libraries: nypl.org; bklynlibrary.org; queenslibrary.org
- community-based organizations
- Workforce1 Career Centers: nyc.gov/sbs

You do *not* need to enroll in a private college to take classes to help you get your TASC.

Avoid unlicensed vocational or trade schools.

If you go to an unlicensed school, you cannot take exams to become licensed in many fields. Call the New York State Education Department at (212) 643-4760 or (518) 474-3969 to check if a vocational or trade school is licensed.

Research.

Research multiple schools before deciding which one is right for you. Ask for information on graduation and completion rates, average student loan debt among graduates, and whether the credits you earn will transfer to other schools.

Do independent research, as well. Use your network to speak to former students who have completed the program, and approach current students when you visit. Contact employers in your desired field and ask if the school or program you're considering is appropriate.

Compare the costs of programs at different schools, search for any negative news or lawsuits involving schools you're considering, and compare any earnings and job placement data the school provides with official data from the College Scorecard and College Navigator.

Remember: If a school or training program sounds too good to be true, it probably is.

Check schools' accreditation (overall, regional, institutional, and programmatic), as well as accreditors.

Follow these steps:

1. To find out if a school is accredited, visit www.ed.gov/accreditation.
2. Verify programmatic accreditation by checking the website of the state, professional, or accreditation agency relevant to your desired field. Some programs, such as dentistry, are accredited by career-specific accreditors, and getting a job in the field requires attending an accredited program.

Note: Accreditation does not guarantee school quality or ensure the transferability of credits. See **Research** for tips to assess school quality.



If you go to an unaccredited school, you may not be able to access federal financial aid, transfer credits to an accredited school, and get a job in your desired field.

Don't sign up the day you visit a school.

Before you sign up, you need to understand how much the program will cost and how you will pay for it. If the school tells you the deal is only available that day, walk away. It is critical to verify accreditation and financial aid on your own before signing any school documents.

Never sign anything you don't understand.

If a school pressures you to sign a contract or agreement on the spot, walk away. Always bring home important forms so you can read them more carefully and review them with people you trust.

Avoid schools that “guarantee employment” after you graduate.

A school cannot guarantee that you’ll get a job when you graduate. Many times, the schools that make these types of promises don’t place you in a job. To understand if a school is a good investment, ask about job placement rates; what career services are available to assist you in your job search; average starting salary in your desired field; and its alumni network so you can speak with graduates about career prospects. Also check LinkedIn to see where people in your desired field studied.

Ask for the school’s tuition cancellation policy in writing.

The policy should describe how you can get a refund if you need to cancel or withdraw. Unfortunately, once you have signed up for classes, it can be tough to get your money back. If a school is unwilling to provide you with a copy of its tuition cancellation policy, consider another school.

File a complaint.

Call 311 or visit nyc.gov/dca to file a complaint against a school of higher education.

Before You Take out Student Loans for Yourself or a Child

How you finance higher education *now* can impact you financially for years to come. Use these tips to help with your financing decisions.

Complete the Free Application for Federal Student Aid (FAFSA) every year you plan to go to school.

The FAFSA determines which federal, state, and school assistance programs and student loans you are eligible to receive, including Pell Grants and the New York State Tuition Assistance Program (TAP). Some programs, such as **grants**, give money toward college that you do not need to repay. **Loans**, on the other hand, you must repay with interest.

Important: Always consider federal assistance and loan programs *before* private lenders. Federal student loans have more borrower protections and typically come with a lower interest rate. You must complete the FAFSA to be eligible for federal student loans.

Read your financial aid offer letter carefully.

Many schools will send you a financial aid offer letter—also commonly referred to as an “Award Letter”—when they offer you admission. It’s important to read this letter carefully so you know what’s being offered and what you will have to pay for your education. The “aid” is often a mix of grants, loans, and work-study (money you can earn through qualifying part-time employment with the college or university). The letter may also mention optional loans like Parent PLUS loans, which your parent(s) will have to pay back. Each type of loan has a different interest rate and different options for forgiveness. In other words, some loans are a better deal than others.

Understand the risks of Parent PLUS loans.

If you take out a Parent PLUS loan on behalf of a child, you will have to start making payments as soon as the loan is disbursed, unless you request a deferment. If you defer, interest will accrue on the loan and your payments will be higher when you resume payment. If you cannot make payments while your child is enrolled, your child may not be able to register for classes. Parent PLUS loans do not come with the same set of income-driven repayment plans that other federal student loans offer.



If you apply for a Parent PLUS loan, lenders will check your credit. Any payments you make or do not make will affect your credit. Defaulting on payments can lead to garnishment of wages, tax refunds, and Social Security payments.

You cannot transfer Parent PLUS loans to your child. Repaying the loan is the parent’s legal responsibility.

Know the loan amount you need and accept no more than that amount.

Create a budget to determine the size of loan you will need and how much you expect to be able to repay after graduation. Try the FinAid Loan Calculator at finaid.org/calculators/loanpayments.phtml.

A simple rule of thumb is not to borrow more than you expect to be paid annually at your first job post

graduation. Sometimes, lenders will offer you more than you need to pay for your education. You do not have to accept a larger amount. Borrowing too much means you will pay more in interest in the long term.

Shop around and compare private student loans only after you have exhausted federal student loans, work-study, scholarships, and grants.

Speak with more than one lender and compare agreements to see which one best meets your needs. Private student loans may have higher interest rates than federal student loans; may require you to begin making payments while you are still in school; and may have interest rates that are variable, meaning they can increase over time. The higher your credit score—and the credit score of your cosigner if you choose to use one—the lower the interest rate. *Note:* Your cosigner is responsible for paying the debt if you fail to pay the loan.

Compare fees, which can increase the cost of a loan, making it more expensive. Also compare loan terms—the number of years it takes to pay off the loan. The longer the loan term, the more you'll pay overall.

Never sign anything you don't understand.

If a school pressures you to sign a contract or agreement on the spot, walk away. Always bring home important forms so you can read them more carefully and review them with people you trust.

Make sure you consider the long term.

A typical bachelor's degree program takes four to six years to complete, and there's a limit on how much money you can borrow in federal student loans. Make sure you can afford to pay tuition and living expenses for the entire time it takes to complete the program. Keep in mind that financial aid offers tend to be higher for the first year and may be reduced in later years.

If you think you may need to take remedial classes, consider CUNY Start, which provides intensive college preparation at a low cost.

Also make sure you can afford to pay back your loans once you graduate. Except for rare circumstances, student loans are not dischargeable in bankruptcy.

Be careful of taking on too much debt.

Make sure you understand the terms of any loans and that you will be able to make the payments. The same goes for your parents if they're considering federal Parent PLUS loans or being your cosigner on private student loans. Loans can lower your credit score if you don't pay them back on time, and student loan debt generally cannot be discharged in bankruptcy. Unpaid private student loan debt may result in legal action from debt collectors, and successful suits can lead to garnishment of your wages or tax liens on your property.

Unpaid federal student loan debt can also lead to wage garnishment, as well as garnishment of your tax refund or Social Security payments.

Know your payment start date so you don't miss any payments.

Federal student loans and some private student loans allow you to defer payment while you're in school and for six months after graduation. This is known as a grace period. Some loans, like Parent PLUS loans, require payment as soon as the loan is disbursed. See section about Parent PLUS loans.

Important: Some loans, like *unsubsidized* federal loans, might accrue interest while you are in school and during the grace period. *Subsidized* loans do not accrue interest while you are in school or during the grace period.

Once You Have Student Loans

Repaying your student loan debt can be confusing. But paying late—or not at all—can have long-lasting and serious consequences. Use these tips, which include ways to lower monthly loan payments, get out of delinquency or default, or access opportunities for loan forgiveness, to help you plan and protect yourself.

All Student Loan Holders

- Keep copies of the loan documents that you sign in person or electronically.

Important: The promissory note is particularly important because it is the legal agreement you sign promising to repay the loan, plus interest, and any other charges and fees. The promissory note provides details about the loan terms and conditions, repayment options, and what happens when you fail to make a payment.

- Seek help at an NYC Financial Empowerment Center (see **FREE HELP**) if you do not understand all the terms in your student loan paperwork, including the interest rate and how long it will take to pay back your loan.
- **Know your payment start date so you don't miss any payments.**
 - Federal student loans and some private student loans allow you to defer payment while you're in school and for six months after graduation. This is known as a grace period.

Important: Some loans, like unsubsidized federal loans, might accrue interest during the grace period. You are not required to make payments during the grace period. However, you may be responsible in the future for paying the interest that accrues during the grace period.

- You must make payments on your loan according to your repayment schedule even if you do not receive a bill or repayment notice.
- *If you used a cosigner for your student loan*, make sure you and your cosigner agree on who will make payments. A cosigner is a co-borrower and is responsible for paying the debt if you fail to pay the loan.

Private Student Loan Holders

- Private student loans are issued by private lenders such as banks, an online lender, or credit unions. Private student loans will not be in your National Student Loan Data System (NSLDS) report but might be available on your credit report, which you can get for free at annualcreditreport.com.

- Your school's financial aid office may also have information about your private student loans.

Note: Unlike federal student loans, private student loans lack many of the protections that are offered to federal student loan borrowers such as income-driven repayment plans or loan forgiveness.

Important: If you're considering refinancing or consolidating private student loans, note that the terms will likely change your interest rate and how long it will take to pay back the loan. Seek help to understand the terms of any loans you consider.

Federal Student Loan Holders

- To learn more about your student loans, including how much you owe, your interest rate, loan repayment status, and the name of your loan servicer, follow these steps:
 - Visit studentaid.ed.gov to [create your Federal Student Aid \(FSA\) ID](#) if you do not already have one. *Note:* The FSA ID is the same username and password you used when you filed your Free Application for Federal Student Aid (FAFSA).
 - With your FSA ID, log in to [NSLDS.ed.gov](https://nslds.ed.gov).
 - Using NSLDS, you can find out how much you owe and who services your loans. A **loan servicer** manages your loans and will be your primary point of contact in repaying your loans, picking a payment plan, consolidating your loans, or answering your questions.

Federal Student Loan Holders Seeking an Income-Driven Repayment Plan

You may be eligible to make payments based on your income.

- **Income-driven repayment plan** options set your monthly loan payment at an amount that is based on your income and family size. Depending on your income, your payments could be as low as \$0 a month. If you do not qualify for these options, you may qualify for a graduated repayment plan that allows you to make smaller initial payments that increase over time. This graduated repayment

Federal Student Loan Discharge

There are several kinds of federal student loan discharge. “Discharge” means you are no longer required to make payments on your student loans due to certain circumstances. For example, you may be eligible for a kind of federal student loan forgiveness called “[borrower defense](#)” if you took out loans to attend a school that misled you about your likelihood of finding a job or obtaining certification or licensure in your field of study, the school’s graduation rates, earnings after graduation, or the cost of education at the school. If your college or career school closed while you were enrolled or soon after you left school, you may qualify for a “[closed school discharge](#)” of your federal student loans. Other forms of discharge include Ability to Benefit Discharge, Total and Permanent Disability Discharge, and [more](#). You may want to seek legal assistance with your application for loan discharge.

New York State Loan Forgiveness Programs

The State offers other loan forgiveness programs for those in certain professions who qualify.

There is also the New York State Get on Your Feet Program, which offers up to 24 months of loan forgiveness to New York residents who earned an undergraduate degree from a New York State college or university December 2014 or after, have an adjusted gross income of less than \$50,000, and meet other eligibility requirements. Learn more at hesc.ny.gov.

plan could extend your repayment period and increase the total amount you pay in loan interest.

To see the various payment plans and your options, visit StudentLoans.gov and log in to the [Repayment Estimator tool](#) using your FSA ID.

Important: You must contact your loan servicer to choose and enroll in a plan.

- You may be able to consolidate your Perkins and Federal Family Education Loan (FFEL) loans to qualify for an income-driven repayment plan such as Pay As You Earn (PAYE) or Revised Pay As You Earn (REPAYE).

Important: Be careful which loans you include in consolidation and avoid consolidating Parent PLUS loans with student loans you took out for your own education because you could lose access to favorable repayment plans.

If you are considering refinancing your federal student loan into a private student loan:

- Understand that you will lose access to the forbearance, deferment, income-driven repayment, rehabilitation, and consolidation options described in this sheet, as well as the forgiveness and discharge options available for federal student loans only.

Federal Student Loan Holders Seeking Loan Forgiveness

In certain situations, you may qualify to have your federal student loan forgiven, canceled, or discharged, which means that you no longer need to repay your loan.

- Loans made under the **Federal Perkins Loan Program** may be eligible for forgiveness if you work in certain professions such as firefighting, law enforcement, nursing, teaching, and social work. Learn more about this [option](#) at studentaid.ed.gov.
- The **Public Service Loan Forgiveness (PSLF) Program** forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full time for a qualifying employer. You may be able to consolidate FFEL loans into a Direct Loan to qualify for PSLF.
 - Make sure you understand [which jobs qualify](#) for PSLF and [which loans are eligible](#). Visit StudentLoans.gov to learn how to apply.
 - If you decide to participate in the program, your employer will need to [certify your employment](#) in order for you to qualify for loan forgiveness, which starts after 120 qualifying payments.

Important: PSLF is not considered taxable by the Internal Revenue Service (IRS). But other debt forgiveness programs such as the New York State Get On Your Feet Program are taxable, which means you will owe taxes on the amount that is forgiven through the program. Please consult a tax professional with questions.

Federal Student Loan Holders Who are in Default

You have two options, each of which you can use only once.

1. **Rehabilitation** requires that you make nine payments in a 10-month period. If you cannot afford to pay the required amount, you can negotiate a “reasonable and affordable” monthly payment (as low as \$5 a month) with the debt collector or loan servicer who has contacted you about your debt.

When you rehabilitate the loan, the default will be removed from your credit report and you may resume making payment to your loan servicer. Even though your credit report may not show the default, your history of missed payments will remain on your credit report for seven years. Typically, collection fees (up to 16 percent of the unpaid loan balance) are assessed for rehabilitating the loan and may be added to your loan balance.

2. **Consolidation**, which combines your previous loan(s) into one new loan, offers a quicker path out of default. Consolidation can lower your monthly payment by giving you a longer period of time (up to 30 years) to repay your loans.

When you consolidate, the default for your old loans will stay on your credit report for up to seven years. Collection fees of up to 18.5 percent of the unpaid loan balance may be added into your new consolidation loan. Consolidating your loans will cause you to lose credit for any payments made toward PSLF or certain loan discharges.

Visit studentaid.ed.gov for information about these options.

Once you rehabilitate or consolidate your loan, consider an income-driven repayment plan option.

Student Loan Holders Who are Behind on Payments

Federal Student Loan Holders

- If you need immediate help, **deferment** and **forbearance** allow you to temporarily stop making payments on your loans. In most cases, the *interest will still accrue*. If making your monthly loan payments is a struggle, enrolling in an income-driven repayment plan may be more affordable in the long run than deferment or forbearance.

Private Student Loan Holders

- Contact your servicer to ask about options to lower your payment or to temporarily defer your loan payments if you’re experiencing a financial hardship. Another option is to refinance to a loan with a lower interest rate and/or a longer repayment period. Be aware that many refinance loans charge fees.

Free Help

Get free help completing the Free Application for Federal Student Aid (FAFSA) with College Goal NY

Visit www.collegegoalny.org for a list of event locations.

Get free professional financial counseling at an NYC Financial Empowerment Center

To book an appointment:

Call 311 | Visit nyc.gov/dca | Text* TalkMoney to 42033

**Message and data rates may apply. Check with your service provider.*

NYC Financial Empowerment Centers are run by the Department of Consumer and Worker Protection in partnership with community-based organizations. Counselors are trained to help students (prospective, current, former):

- create a budget to pay for school;
- understand and explore student loan options, including dealing with old unpaid student loans from a previous enrollment and/or taking out additional student loans;
- handle student loan debt in collections;
- enroll in income-driven repayment plans to lower monthly payments (federal student loan holders only);
- understand loan discharge options;
- get out of student loan delinquency or default.

Counselors can also make referrals to nonprofit legal services providers as needed.



Resources

College Board

Visit <https://bigfuture.collegeboard.org/pay-for-college/financial-aid-awards/compare-aid-calculator> to compare financial aid offer letters.

College Navigator

Visit nces.ed.gov/collegenavigator to see data on schools' tuition, graduation rates, student loan default rates, and more.

College Scorecard

Visit collegescorecard.ed.gov to compare schools' average annual cost, graduation rate, and salary after attending. You can also compare average debt, typical monthly payment of students who completed a degree, and the percent of students paying down their debt (a sign that former students can afford to pay back their loans).

Consumer Financial Protection Bureau (CFPB)

Visit consumerfinance.gov for:

- Tools and resources to help you make informed financial decisions about paying for college.
- Payback Playbook (information about income-driven repayment plans) at https://files.consumerfinance.gov/f/documents/201701_cfpb_payback-playbook-disclosures-revised.pdf

Federal Student Aid (part of the U.S. Department of Education)

Visit studentaid.ed.gov/sa for:

- Information about the FAFSA and student loan forgiveness and relief programs.
- [Glossary](#) of student loan terms.
- Information about borrower defense relief and closed school discharge.

Federal Trade Commission (FTC)

Visit ftc.gov for tips on how to avoid common scams.

National Association for College Admission Counseling

Visit <https://www.nacacnet.org/globalassets/documents/publications/forprofit.pdf> for sample questions to ask before you enroll in a school or training program.

New York City Department of Consumer and Worker Protection (DCWP)

- Visit nyc.gov/studentloans for all tips:
 - “Before You Enroll in a School or Training Program”
 - “Before You Take out Student Loans for Yourself or a Child”
 - “Once You Have Student Loans”
- Visit nyc.gov/dca or call 311 (debt collection complaints).

New York State Higher Education Services Corporation (HESC)

Visit hesc.ny.gov to help you find the college that's the right fit for you. Click “Prepare.”

U.S. Department of Education

Visit <https://studentaid.ed.gov/sa/types/loans#considerations> for a list of things to consider before taking out a loan for your education.



BEWARE OF...

Predatory Schools

There are hundreds of for-profit schools in New York City that enroll New Yorkers in courses for everything from air conditioning repair and cosmetology to medical technician training. Some use high-pressure recruiting tactics and may mislead you into taking out a lot of financial aid and then make it difficult to complete your degree so you're forced to take out more aid.

College Scholarships and Financial Aid Scams

Many scammers prey on students and parents by promising scholarships in exchange for an advance fee. The scammers do not award scholarships and will not refund the fee. Other scammers charge a processing fee to apply for scholarships on students' behalf, but the "scholarships" are not real.

Student Loan "Debt Relief" Scams

Scammers take advantage of students by falsely promising loan forgiveness through federal programs that don't exist and charging students high up-front and ongoing fees for services that are freely available.