

LEAVING CAL POLY, SAN LUIS OBISPO



A STUDENT'S FINANCIAL OBLIGATIONS

CONTENTS

What do you owe Cal Poly? 3

STUDENT LOANS...

Interest rates and accruals (per loan type) 5

What is a grace period? 6

Deferment/forbearance/cancellation 7

Consolidation 8

Rehabilitation 8

Consequences of delinquency 8

Lender contact information 9

KNOW WHAT YOU OWE?

Before leaving Cal Poly, SLO, please make sure you understand what you owe the university, as well as what you owe other agencies for federal student loan debt. Please use the following as a guide:

Cal Poly student account debt: Students leaving with a Cal Poly student account balance are **required** to make repayment arrangements with the Student Accounts Office:
Jhollowa@calpoly.edu (805) 756-2812 (please include your SS#)

VIEW DEBT: **my.calpoly.edu**

Cal Poly student account holds: Holds placed on the student account may be for financial reasons. One reason may be that the student owes a debt to Cal Poly that is NOT included in the student account balance. Periodically check your student account balance and account holds over the first few months *after* you leave Cal Poly. Also keep your permanent address current. This will allow for timely account updates.

Examples of debt that may not be included in your student account balance:

Library fines
Citations issued through the campus police

VIEW HOLDS: **MustangInfo**

Non-federal short-term loans: These loan types (emergency loans; short-term Lutz loans, and the like.) are considered a part of your Cal Poly student account balance. Please make repayment arrangements as indicated: Jhollowa@calpoly.edu

VIEW DEBT: **my.calpoly.edu**

Long-term student loans: Long-term federal and non-federal student loans disbursed through Cal Poly are separate repayment obligations. This type of debt is NOT included in your student account balance. Payments are NOT reflected on the Cal Poly system. Address updates must be made with each loan's billing service, NOT Cal Poly (even if Cal Poly is the lender!!!). However, failure to repay can be reflected as a HOLD on your Cal Poly records.

GET LOAN TYPES: **(805) 756-2608 or JDay@calpoly.edu**
(please include SS# with all correspondence)

CREDIT BUREAU REPORTING:

Cal Poly, SLO, exercises its right to report any and all repayment activity to the three major credit bureaus. Students can avoid negative reportings by entering into *and maintaining* a repayment arrangement with the university. Students with long-term loans owed to Cal Poly will be subject to credit reporting updates submitted through the associated billing service. Students with long-term loans owed to an agency *other than Cal Poly* will be subject to credit reporting updates submitted through the associated billing service.

Long-term student loan borrowers should refer to their promissory note for specific details. Student loan borrowers may request a copy of the promissory note (per lender/loan type) at any time. Please direct all promissory note questions to the lender.

LONG-TERM STUDENT LOAN EXIT INTERVIEW INFORMATION

*General long-term student loan repayment information for
Federal Stafford (subsidized/unsubsidized), Federal Perkins,
and Institutional Collins, Humphrey, Lutz, Nissen, and Van Asperen loans*

I. Introduction

a. Janice Anderson Day, Student Loan Program Administrator (Repayment Counselor)

Office Location: Student Accounts Office, Admin. Bldg., Rm. 211

Hours: Monday through Friday, 8 AM – 4:00 PM

Best way to contact is through email:

JDay@calpoly.edu

Alternative: (805) 756-2608

Important: Please leave your Social Security Number with all messages. Thank you!

b. Reason for completing the loan exit interview process

To understand the repayment structure of your student loans

To understand your rights & responsibilities towards student loan repayment – per loan type

To complete the federally required exit process, as you agreed, before accepting your loan funds

To avoid a mandatory exit interview hold on your Cal Poly records

II. Personal credit history

a. Does your student loan activity show on your personal credit report?

At disbursement of funds (in school) = YES

During repayment = YES

During agreed upon periods of deferment = YES (in a good way)

When you are current on payments = YES

When you are late on payments = YES!!!!

b. Can negative (derogatory) payment information be removed from a personal credit history?

If the lender reported inaccurate information = YES

If the borrower submitted late payments = NO*

* unless the borrower successfully rehabilitates the loan (<http://studentaccounts.calpoly.edu>)

c. Can federal student loan debt be discharged (written off) in bankruptcy?

NO!!!!!!

III. Know your loan types

a. If you do not know your loan types, please contact each school of attendance and inquire, or use the following web site for assistance: WWW.EDFUND.ORG :

Go to the section for STUDENTS; under the MANAGING YOUR LOAN section, choose STUDENT LOAN DEBT SUMMARY. Note: this web site will reflect your federal student loan debt only. You will need to contact your school(s) of attendance for information pertaining to your non-federal debt.

As indicated in the chart below, the school of attendance disburses all loan types. Student loans (and all other financial aid disbursements) are contingent upon enrollment status. However, loan funds disbursed – depending on the loan program – may be federal or non-federal, and the lenders (who the student will repay) may vary.

Federal Stafford loan borrowers (sub and unsub) may choose their lender. Federal Perkins loan funds are repaid to the school that disbursed them. Example: if the student loan borrower received Perkins loan funds while attending San Diego State, then came to Cal Poly and received more Perkins loan funds...that borrower would have (2) Perkins loan lenders to repay: San Diego State and Cal Poly, SLO. If this same student loan borrower was disbursed Stafford loan funds while attending each school, but chose the same bank as the lender...the borrower would repay that bank only for the combined Stafford loan debt.

Institutional loans referenced in the chart are non-federal loan programs offered through Cal Poly, SLO. Other schools you have attended may offer non-federal loans as well. If you feel you may have been the recipient of a non-federal student loan disbursement while attending a school other than Cal Poly, please contact that school for more information.

Also, please keep in mind that different schools offer different federal loan types to their students. The chart below outlines only the loan types you may have received while attending Cal Poly, SLO. If you have attended any other school before or after your attendance at Cal Poly, SLO, please check with that school's Financial Aid Office to make sure you do not have a student loan type of which you are not aware.

b. Agencies involved (in order of involvement) – per loan type

| Federal Perkins ↓ | Federal Stafford (sub/unsub) ↓ | Institutional* ↓ |
|---------------------------------------|---------------------------------------|---------------------------------------|
| No guarantor | Guarantor (EDFUND) | No guarantor |
| Lender (school that disbursed) | Lender (you chose) | Lender (school that disbursed) |
| School (disburses funds) | School (disburses funds) | School (disburses funds) |
| Billing service (AMS) | Billing service (ask lender) | Billing service (AMS) |
| Collection agency** | Collection agency** | Collection agency** |
| Department of Education** | Department of Education** | ----- |

* Institutional loan types (non-federal): Collins, Humphrey, Lutz, Nissen and Van Asperen

** If/when applicable

c. Different lenders do NOT share information

Payments cannot be split between lenders.

Address/phone updates are not shared between lenders (and your school does not give them to the lenders).

Payment adjustments/postponements (deferment/forbearance) must be filed with EACH lender.

d. Subsidized vs. unsubsidized student loans – the difference is in the interest accrual

Stafford subsidized: interest that accrues during the in school, grace, and deferment periods is paid for the borrower by the federal government. The borrower is responsible to pay all interest that accrues during all repayment periods.

Stafford unsubsidized: interest begins accruing upon disbursement and accrues, without interruption, until the loan is paid in full. The borrower is responsible for all accruing interest at all times.

Interest capitalization: accrued interest that has not been paid to date by the end of a grace period, or subsequent deferment period will be capitalized (added to the principal balance).

Perkins: interest does not accrue until the borrower enters repayment. The borrower is responsible to pay all accruing interest at all times.

Institutional loans: interest does not accrue until the borrower enters repayment. The borrower is responsible to pay all accruing interest at all times.

Alternative loans: contact the lender for details.

e. Interest rates per loan program are different

Stafford (sub/unsub) variable interest rate: The federal Stafford loan program's interest rate is adjusted annually. It is good from July 1st of a given year, through the June 30th of the following year. It can never go higher than 8.25% (cap). Borrowers interested in the formula used to calculate the interest rate should contact their lender.

Perkins fixed interest rate: fixed at the same interest rate throughout repayment (5%, per promissory note).

Institutional loan interest rate: fixed at the same interest rate throughout repayment (4%, per promissory note).

Alternative loan interest rate: contact the lender for details.

IV. Grace period

A *grace period* is the period of time between dropping below half time enrollment and the first loan payment coming due. Borrowers automatically enter a grace period when they are below the required enrollment (undergrad = 6 units; grad = 4 units), whether or not they have graduated. Note: a school approved leave of absence does not override federal student loan guidelines. Student loan repayment has nothing to do with graduating...and **everything** to do with maintaining a minimum of half time units per school term (summer terms do count!).

Rewinding the grace period clock: a grace period must be used in full before a borrower can enter repayment. This means that if a borrower re-enrolls in at least half time units (at any school) *before the grace period has been used in full*, the grace period clock rewinds to zero days used and starts up again when the borrower drops below half time units. Note: this only works when the lender has the borrower's new enrollment information. It is the borrower's responsibility to notify each lender of their new enrollment (new school, or re-enrolled at old school during grace period).

a. Duration

| | |
|----------------------------|----------------------------|
| <i>Stafford sub/unsub:</i> | 6 months |
| <i>Perkins:</i> | 9 months |
| <i>Institutional:</i> | 6 months (check prom note) |
| <i>Alternative:</i> | Contact lender |

b. Notification to expect by mail (or web) during the grace period (sent by the lender or billing service for each loan type)

Statement of Account (Disclosure Statement): amount owed; when payments begin; amount expected per payment.

Interest reduction incentives (Stafford only): lenders and/or billing services offer interest reduction to those who sign up for auto pay (payment automatically withdrawn from the borrower's personal bank account every billing cycle). Ask the Stafford loan lender or billing service for details.

Repayment plan options (Stafford only):

| | |
|-------------------|--|
| Standard: | Same payment amount each billing cycle until loan is paid in full. |
| Graduated: | Less now, more later |
| Income sensitive: | Less now, more later (different than graduated – ask lender) |

IMPORTANT: If you have not received the above loan information by mail within 6 – 8 weeks of leaving school – from each lender – CALL EACH LENDER AND FIND OUT WHY!!!!

V. General repayment terms/benefits

a. Repayment period

Federal student loans (Stafford/Perkins) have a ten year repayment period. Institutional loans have a shorter repayment period (refer to the promissory note or Disclosure Statement). The amount of time given to repay and the amount of the loan are major factors in determining the payment amount per billing cycle.

b. Pre payment

Student loan borrowers are required to make at least the expected payment, per billing cycle. However, there is never a prepayment penalty for paying more than expected, or earlier than expected. Borrowers are advised to direct overpayments to the loan with the highest interest rate, working down from there.

c. Payment

Payments made will always pay late fees first (if applicable), then interest to date, and then a portion of principal. Borrowers paying over the expected amount should instruct their lender how they want the overpayment applied: to pay down principal immediately, or to be applied to the next payment due.

d. 30-day lead time

If the expected payment cannot be made, the borrower should contact the lender (per loan type) at least 30 days before the payment is due. Paperwork supporting the situation will need to be completed and submitted *in place of the expected payment*. If the completed and submitted paperwork does not reach the lender on or before the payment due date the lender may report a late payment to the three major credit bureaus. Note: paperwork may vary between lenders/loan types. Each lender will need separate forms completed. Even if the forms are eventually accepted, if they are not submitted before the payment due date, the borrower may experience a negative credit bureau reporting.

IMPORTANT: Borrowers should never *assume* that the forms submitted have reached the lender and are okay. Borrowers should contact the lender (per loan type) to confirm the status of the submission *before they stop making regularly scheduled payments*.

e. Deferment

When minimum eligibility requirements are met, the borrower has the right to ask for and receive a payment deferment. A *deferment*, like a grace period, is a period of time when payments are not expected. However, unlike a grace period, a deferment must be applied for (paperwork submitted per loan type/lender). As previously mentioned, borrowers should never *assume* eligibility status. Borrowers should call each lender and confirm the status of the submission *before they stop making regularly scheduled payments*. Also...a 30-day lead time is expected.

Types of deferments:

- In school (enrolled in at least half time units)
- Unemployment (working less than 30 hours per week)
- Disability (temporary and permanent)
- Financial Hardship (income comparisons available on application)
- And others...

A deferment status will *not* negatively affect the borrower's personal credit rating, and will *not* count in the ten-year repayment period (the expected payments will not be higher when the borrower enters repayment).

IMPORTANT: the more information the borrower provides, the easier it is for the lender to determine repayment and/or deferment options.

f. Forbearance

Forbearance is offered at the lender's discretion. If the borrower maintains a good repayment history and is in need of some financial relief, but does not qualify (per loan regulations) for a deferment, the borrower may negotiate a lower payment, good for a limited amount of time, with the lender (per loan type). This type of arrangement is called a *forbearance*. A forbearance is an agreed upon, limited time repayment arrangement between an borrower and the lender. The most common forbearance is an interest only payment arrangement. But sometimes borrowers can make interest payments, and a portion of their principal payments. Each case is different. And like the deferment status, a forbearance will not negatively affect a borrower's personal credit rating.

Paperwork is expected and should be submitted on or before the regular due date. IF accepted, but submitted late, the borrower may be subject to a late payment being reported to the three major credit bureaus. The borrower should never *assume* that the lender received the paperwork, or that it has been accepted. All borrowers are advised to call each lender and confirm that the paperwork has been received and accepted *before they stop making their regularly scheduled payments*. Forbearance documentation must be filed with each lender separately.

IMPORTANT: Borrowers considering forbearance should ask the lender (per loan type) if their regular payments will be higher when they re-enter repayment.

g. Cancellation (Federal Perkins and Stafford sub/unsub loans)

The type of work or service a borrower performs may entitle him/her to have a certain percentage of loan debt forgiven, per year of service. Both the Stafford and Perkins loan programs offer debt cancellation benefits. Borrowers should review their promissory note per loan type for more detailed information. Also, feel free to contact the lender or billing service. The most common cancellation benefit is for teachers.

h. Consolidation

Borrowers who have left school have the option of *consolidating their federal student loans*. To consolidate is to borrow a new federal loan whose funds are used to pay off existing student loan debt. There are many reasons that

borrowers consider consolidation. Currently, Federal student loan borrowers are using this option as a way to lock into a lower interest rate (this may not apply to all borrowers...depending on the debt that is being consolidated, and *when* a borrower is applying).

For more information regarding loan consolidation, please access the consolidation web link on the Cal Poly Student Accounts homepage: [HTTP://STUDENTACCOUNTS.CALPOLY.EDU](http://STUDENTACCOUNTS.CALPOLY.EDU).

IMPORTANT: Borrowers are advised to read all pertinent information thoroughly before making the decision to consolidate. This includes understanding the Stafford and/or Perkins loan benefits that may be forfeited upon consolidation.

I. Rehabilitation

Borrowers with a delinquent repayment history – even if only one late payment was reported to the three major credit bureaus – are often in need of having the negative information removed from their credit history. *Loan Rehabilitation* offers these borrowers a method to accomplish this. It is a 12-month repayment contract between the lender and the borrower. If the borrower adheres to the terms of the contract, he/she has earned the removal of the negative credit reporting(s). Also, the borrower regains previously forfeited repayment benefits (deferment, forbearance, and cancellation). Once rehabilitated, the loan is considered “current”. For more specific information please access the Cal Poly Student Accounts homepage and look for the rehabilitation web page link: [HTTP://STUDENTACCOUNTS.CALPOLY.EDU](http://STUDENTACCOUNTS.CALPOLY.EDU).

VI. Delinquency and default

a. Loss of loan benefit eligibility

Borrowers past due for any reason are not eligible for benefits (deferment, forbearance, cancellation, etc.) unless the benefit they are applying for, once applied to the account, will cover the entire past due period. In instances where the benefit does not cover the entire past due period, a payment may be submitted with the benefit paperwork (application for deferment, forbearance, cancellation, etc.). If the combination of both will bring the loan current, the lender may grant this option to the borrower.

Once a past due account has been turned over to a collection agency no benefits can be applied to the account until it is brought current by way of payment. Lenders may report student loan delinquency and default to licensing agencies, who may in turn hold back a professional license until the loan is paid in full. Lenders may also disclose account delinquency to the borrower’s employer (prospective or otherwise), and any agency associated with financial aid eligibility.

b. Collection agency assignment

A lender may assign either the past due balance only or the entire loan account to a collection agency. Once assigned, the borrower is responsible to pay the loan, associated interest and late fees, court/attorney’s fees, AND up to 40% in collection fees. A past due loan in this situation can more than double over time!! Note: Stafford loans in this situation are subject to a raise in the interest rate as high as 18%!!!

c. Judgment

The lender can take a defaulted borrower to court and request payment. When this is done a judgment is rendered by the court. The judgment is likely to include all fees associated with collecting the loan and will override all original promissory note terms. Once a judgment has been rendered, a borrower loses all loan consolidation eligibility, and all deferment, forbearance, cancellation and rehabilitation benefits. Note: it is common for the student loan interest rate to be raised by the court.

d. Garnishment (withholding of funds)

When a student loan becomes delinquent the lender may report the borrower’s failure to repay to the tax board. The tax board will then direct all tax refunds to the lender until the loan has been satisfied. Lottery winnings are also directed to the lender.

IMPORTANT: Borrowers in default are subject to wage garnishment.

e. Most common reasons for delinquency/default (per loan type)

- Bad address/phone on file with the lender.
- Someone else is managing loan repayment for the borrower (spouse, parent, credit counseling service, etc.).

- Changes in repayment method (borrowers don't allow for processing time and don't call lender to confirm said processing time).
- Borrower doesn't pay until billing statement is received by mail (no statement received is not a valid reason for a late pay).
- Borrower doesn't follow up after requesting account changes (change in address, phone, name, repayment method, etc.).

VII. Borrower/lender communication (per loan type)

FOLLOW UP

- A borrower should always get confirmation (from the lender) that any and all submitted loan documents have been received and processed. The borrower should never *assume* that the documents mailed in to a lender have been received and approved. ALWAYS CALL FOR CONFIRMATION.
- A borrower should not stop making payments until receiving a confirmation (from the lender) that it is okay to do so.
- Always write, email or call in a billing address/phone number update to the lender. NEVER rely on the Post Office's address change system.
- A borrower should never *assume* anything regarding their loan account status. When in doubt...FIND OUT!
- The burden of proof regarding any account status situation *always* falls back on the borrower...KEEP GOOD RECORDS.

VIII. Lender information (per loan type)

a. Federal Perkins and Institutional Collins, Humphrey, Lutz, Nissen and Van Asperen loan programs:

| | | |
|--|--|----------------|
| Lender: | Cal Poly, SLO | (805) 756-2608 |
| Billing service: | AMS (formerly EFG) | (800) 334-8609 |
| Send payment to: | AMS | |
| Account number: | Social Security Number | |
| Payment options: | Contact AMS and inquire | (800) 334-8609 |
| Billing cycle options: (Perkins only) | Decide during grace period: Quarterly (every 3 mos.) or monthly. | |

b. Federal Stafford loan (sub/unsub):

| | | |
|-------------------------|---|----------------|
| Lender: | Varied (ask guarantor for lender name/phone). | |
| Guarantor: | EDFUND | (800) 298-9490 |
| Billing service: | Ask lender | |
| Payment address: | Ask lender/billing service | |
| Account number: | Social Security Number | |
| Payment options: | Ask lender/billing service | |
| Billing cycle: | Monthly | |

c. Alternative loans: Contact the lender for all repayment information.