

## Protect Yourself

To select the best repayment option for you and avoid damage to your credit score, it's important to:

- ★ Review your student loan documents and know when you are required to begin making payments.
- ★ Understand all your student loan repayment options.
- ★ Communicate with your student loan servicer when there are major changes in your life and career.
- ★ Utilize online account management tools to ensure your payments are recorded accurately.

## Things to Know

- ★ Federal student loan forgiveness plans are available for borrowers who work in the public sector, the medical field, and nonprofit organizations.
- ★ The vast majority of student debts are federal loans issued by the U.S. Department of Education.
- ★ The federal government, private lenders such as banks and refinance companies, and even schools may contract out to a limited number of loan servicing companies to manage their student loan portfolio.

**For general information or to submit a complaint, please contact:**

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Financial Protection and Innovation  
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Sacramento, CA 95834  
[www.dfpi.ca.gov](http://www.dfpi.ca.gov)  
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Toll-free (866) 275-2677

**Learn more  
about your federal  
student loan options:**

<https://studentaid.ed.gov/sa>

# STUDENT LOANS

## — Important Information —



- Types of Student Loans
- Student Loan Market
- Things to know



**DFPI**  
DEPARTMENT OF FINANCIAL  
PROTECTION & INNOVATION

# THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

licenses and regulates student loan servicers who operate in California.

## TYPES OF STUDENT LOANS: FEDERAL VS. PRIVATE LOANS



Whether you obtain a federal student loan, private student loan, or both, you're obligated to repay the money borrowed, plus interest, whether you graduate or not.

Since 2010, federal student loans are made and funded directly by the U.S. Department of Education through the William D. Ford Federal Direct Loan Program.

Private loans are funded by banks, credit unions, and other types of lenders. Since private lenders consider various personal factors (including credit score, job history, and school) before approving a loan, you must apply to each individual lender. Additionally, private student loans may not offer the same benefits, flexibility, and repayment terms as federal student loans.

## BE AWARE

As a student loan borrower, you have the ability to work with your loan servicer(s) to have your loan set to an income-based repayment plan, which can provide lower monthly payments.

Private companies may contact you offering assistance with adjusting your repayment plans. You never have to pay for help with your federal student loans. Your loan servicer will help you for free.

Learn more about your repayment options:

<https://studentaid.ed.gov/sa>

## KNOW THESE STUDENT LOAN TERMS

- **Borrower:** A person or cosigner of a loan. For student loans, a borrower will be required to sign a promissory note.
- **Deferment:** An action that excuses you from making federal student loan payments for a set period of time because of a specific condition in your life. Interest *will not* accrue on subsidized loans during the deferment period. Interest *will* accrue on unsubsidized loans during the deferment period.\*
- **Forbearance:** An option to delay federal student loan payments when you are temporarily unable to pay. Your loans will continue to accrue interest. When your loans switch out of forbearance, you will be paying more to cover the interest added to your previous balance.\*
- **Income-Driven Repayment Plan (IDR):** A modified repayment plan for federal student loan borrowers. Repayment is based on your income, family size, and total student loan debt, and is recalculated each year. Your exact plan varies based on your loan type(s), personal situation, and specific IDR.\*
- **Loan discharge:** The cancellation of a borrower's obligation to repay some or all of the remaining federal student loan due to certain circumstances. Depending on the type of discharge, the amount discharged may be treated as taxable income.\* [Get more information at http://dfpi.us/sldischarge](http://dfpi.us/sldischarge).
- **Promissory Note:** A written promise by a borrower to repay the money borrowed plus interest. This is a legal contract.
- **Servicers:** Companies that collect payments on a loan, respond to customer inquiries, and perform other administrative tasks associated with a student loan. The loan servicer should work with you on identifying all repayment plan options and/or loan consolidation.

*\* Private lenders are not obligated to offer this option or benefit. If you have a student loan from a private lender, you must contact that lender directly to explore your repayment options.*



## CALIFORNIA'S STUDENT LOAN MARKET

As of September 2018, more than 4 million California borrowers owe more than \$140 billion in student loan debt. That's an average debt of \$34,000 each.

In the United States, more than 45 million student loan borrowers owe more than \$1.4 trillion.

Source: Federal Reserve Bank of New York  
(<https://www.newyorkfed.org/microeconomics/databank>)