

An Educator's Guide

student loans



(Almost) everything an educator needs to know about student loans, student debt, the federal student loan forgiveness program, and more.

**The average student loan balance
in 2023
was over \$37,000**

WHICH EQUATES TO ROUGHLY
**\$402 in monthly payments
over a 10-year period.**



**92% of the 45.3 million student loan borrows
have federal student loan debt.**

Education Data Initiative. May, 2023

GOOD TO KNOW

What is a student loan?

A loan is money you borrow and must pay back with interest. If you apply for financial aid at your college or university, you may be offered a loan as part of your school's financial aid offer.

Types of Loans

Direct Loan

A Direct Loan is a federal student loan, made through the William D. Ford Federal Direct Loan Program, for which eligible students and parents borrow directly from the U.S. Department of Education at participating schools. There are four types of Direct Loans.

Direct Unsubsidized Loan

The borrower is fully responsible for paying the interest on a Direct Unsubsidized Loan. Interest accrues on unsubsidized loans from the date of disbursement (or pay out) and continues through the life of the loan.

Direct Subsidized Loan

The federal government pays the interest on this loan that accrues while the borrower is in school, or in a grace or deferment period.

Direct Consolidation Loan

A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan. As a result of consolidation, you will have to make only one payment each month on your federal loans, and the amount of time you have to repay your loan will be extended.

Direct PLUS loan

A federal loan available to graduate students and parents of dependent undergraduate students. The borrower is responsible for paying interest. It is sometimes called a Parent PLUS loan. Rarely can these types of loans be forgiven.



Prior to June 30, 2010, Direct Loans may have been referred to as Federal Stafford Loans. Both terms refer to the same loans offered through the William D. Ford Federal Direct Loan Program.

Types of Loans *(continued)*...

Perkins Loan

A Federal Perkins loan is a school-based loan program for undergraduates and graduates that have exceptional financial need. The school is the lender under this program.

Private loan

A loan made by a bank or other private lender without government subsidy. They often require a parent or other adult with credit history to cosign or guarantee the loan. Interest rates vary, and most start accruing interest as soon as the loan is disbursed. Private loans are typically very expensive, and unlike credit card debt and mortgages, private education loans cannot be cancelled if you file for bankruptcy.

FAQs About Student Loans

When does interest accrue on my loan?

Interest on your student loan(s) start accruing from the date of disbursement—in other words, the interest starts accumulating as soon as you get the loan.

What's the difference between a subsidized and unsubsidized loan?

The federal government pays the interest on a direct subsidized loan while you are in school or while the loan is in deferment (a period of time where you are not responsible for paying the interest on your loan). On a direct unsubsidized loan, interest starts accruing as soon as the loan is taken out, and you are responsible for paying the interest on the loan.

About AMORTIZATION:

Generally, student loans are amortized. Amortization is the process of paying back a loan on a fixed payment schedule over a specific period of time. Each month you make a payment, a portion of that payment is applied to the interest, while the other goes toward the principal. With each payment, the loan gets smaller. In the earlier years of repayment, a larger portion of the monthly payment is applied to the interest.

See for yourself with this [amortization calculator](#).



What's the difference between a federal and a private loan?

A federal loan is guaranteed by the federal government. A private loan is one a student or parent takes out from a bank, credit union, or other financial institution.

Can I consolidate my loans?

You can consolidate (combine) your federal student loans into one loan, but in general, you cannot consolidate private education loans with federal student loans. Additionally, any Direct PLUS Loans your parent receives to help pay for your education cannot be consolidated with any federal student loans you receive. If you are eligible to consolidate, be sure to understand the pros and cons of consolidating your federal loans before you do. You should not need to pay anyone for assistance in getting a Direct Consolidation Loan. The process is free and easy. Visit studentaid.gov for more information.



*Caution before you consolidate:
See page 11.*

If you want to combine your private student loans together into one payment, you have to refinance your student loans. The process is similar to federal loan consolidation, but it is done through a bank or credit union rather than through the U.S. Department of Education.

When do I start paying back my student loans?

You don't have to begin repaying most federal student loans until after you graduate college or drop below half-time enrollment. Federal or Direct PLUS loans enter repayment once your loan is fully disbursed (or paid out).

Most types of student loans offer a grace period—a set period of time after you graduate, leave school, or drop below half-time before you must begin to repay your loans. Typically, interest will also accrue during your grace period on most loans. This grace period gives you time to get financially settled and choose a repayment plan. Not all loans offer grace periods, so check with your lender to be sure.

What happens to my federal loans if I die?

If you die, then your federal student loans will be discharged after the required proof of death is submitted. If your parents have a federal/direct PLUS loan, your parent's federal/direct PLUS loan will also be discharged if your parent dies or if you (the student on whose behalf your parent obtained the loan) die.



You can make payments on the interest of your loan while you are still going to school. In most cases it makes financial sense to do this if you have the financial means.

What happens to my private loans if I die?

Some private student loan lenders offer a death discharge, but not all. **Be aware, if your private student loan has a cosigner, your cosigner is legally responsible for your debt if you die.** This is where things can get tricky. Sometimes the death of the borrower or cosigner can trigger default, which means the entire balance becomes due immediately. Make sure you understand what you sign up for before signing or cosigning any private student loans.

In some cases it may make sense for parent cosigners to purchase a life insurance policy for their child. If you go this route, purchase enough life insurance on the policy to cover the amount of the loan, if not more.

Loan Forgiveness

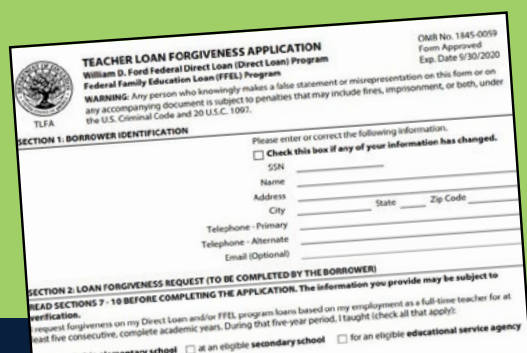
What is Teacher Loan Forgiveness?

[Teacher Loan Forgiveness \(TLF\)](#) is a program intended to encourage individuals to enter and continue in the teaching profession.

There are three types of loan forgiveness programs for teachers:

1. Teacher Loan Forgiveness for Direct Subsidized Loans, Direct Unsubsidized Loans, Subsidized Federal Stafford Loans, and Unsubsidized Federal Stafford Loans
2. Teacher Cancellation for Federal Perkins Loans
3. Public Service Loan Forgiveness (must have already made 120 payments (10 years) on the loan)

TEACHER LOAN FORGIVENESS APPLICATION

The image shows a sample of the Teacher Loan Forgiveness Application form. It is titled "TEACHER LOAN FORGIVENESS APPLICATION" and includes the William D. Ford Federal Direct Loan (FFEL) Program logo. The form is divided into sections: SECTION 1: BORROWER IDENTIFICATION, which includes fields for SSN, Name, Address, City, State, Zip Code, Telephone - Primary, Telephone - Alternate, and Email (Optional); and SECTION 2: LOAN FORGIVENESS REQUEST (TO BE COMPLETED BY THE BORROWER), which includes a warning about penalties for false information and a request for forgiveness based on employment as a full-time teacher for at least five consecutive, complete academic years. The form also includes checkboxes for eligible elementary, secondary, or educational service agency schools.

» Download the [Teacher Loan Forgiveness Program application](#) from the Federal Student Aid website.

What types of loans can be forgiven?

According to the U.S. Department of Education, the following types of loans can be forgiven:

- Federal Direct Subsidized Loans.
- Federal Direct Unsubsidized Loans.
- Federal Subsidized Stafford Loans.
- Federal Unsubsidized Stafford Loans.
- Direct or Federal Consolidation Loans.
- PLUS loans DO NOT qualify for forgiveness under this program.

How do I know if I'm qualified?

You can visit the Department of Education's website at studentaid.gov for a list of eligibility requirements. The two main requirements are:

- You must not be in default on your loans, and
- You have to have been employed in a qualifying elementary or secondary school as a full-time teacher for five complete and consecutive academic years, and at least one of those years must have been after the 1997-98 academic year.

How long do I need to teach before I can apply?

You must teach in a district for: **FIVE CONSECUTIVE, COMPLETE** academic years as a **HIGHLY QUALIFIED** teacher at a **QUALIFYING SCHOOL**.

What is a qualifying school?

Generally speaking, a qualifying school must be a public or other nonprofit elementary or secondary school that is eligible for assistance under Title I of the Elementary and Secondary Education Act of 1965 ("Title I school"). Check the federal [Teacher Cancellation Low Income Directory](#) to see if your school is a QUALIFYING school.

In 2022-2023, over 2,100 schools in the state of Wisconsin qualified as Title I schools.

Wisconsin DPI. 2023



Not sure what type of loan you have? View your federal student loans online via the Federal Student Aid website (studentaid.gov).



A CAUTIONARY TALE

"The section that seems to cause people to be rejected the most, is often the Chief Administration Officer section that your principal—or the person who's currently responsible today for the supervision of teachers in your building—needs to fill out and sign. You don't have to go hunt down the principal who left at semester, it simply means your current principal. Also, if you've been at multiple schools, you will need a letter from each and every one of your schools for every year you've worked. So if you are one of those teachers that jumps around every year, you could have five letters from principals saying when you worked there and what you did. "

**Ben Sensen, Madison Metropolitan School District teacher
and presenter of several Student Loan Forgiveness program seminars.**

How much can I have forgiven under the Teacher Loan Forgiveness Program?

If you meet the qualifications, you may be eligible for forgiveness of:

- Up to \$5,000 for a full-time elementary school teacher or a full-time secondary teacher who taught in a subject area relevant to their academic major.
- Up to \$17,500 for "highly qualified" full-time math or science teachers at an eligible secondary school or a highly qualified special education teacher.

What does "highly qualified" mean?

- Attained at least a bachelor's degree; and
- Has obtained full state certification as a teacher (including certification obtained through alternative routes to certification) or passed the state teacher licensing examination; and
- Holds a certification or license to teach in that state; and
- Has not had certification or licensure requirements waived on an emergency, temporary, or provisional basis.



Before you submit your application, check with your loan holder or service provider to see if you need to submit any additional information.

6 super-smart tips

- ❑ **Don't be afraid if you get rejected.** Try again. And again.
- ❑ **Make copies of everything you submit** and send in. If your application is rejected, you won't have to start over when you try again.
- ❑ **Make sure details like school name are exactly as they appear in the low income directory database.** Be careful on the spelling. If your school is listed as "Central HI," write it that way. Some have been rejected because they wrote H-I-G-H, and the school wasn't listed as such in the database.
- ❑ **Don't sign and date the application before the end of the school year,** or you will get rejected.
- ❑ **Apply early and apply often.**
- ❑ **Never pay a person or company to help you** with student loan forgiveness.

How do I apply for loan forgiveness?

Once you've determined you meet the eligibility requirements, you'll need to print and fill out the Teacher Loan Forgiveness application. Then, the principal or chief administration officer at your school will need to fill out the certification section. If you taught at more than one school during your five consecutive and complete years of service, the principal or administrator for each school you taught at must certify your eligibility.

What is teacher loan cancellation?

If you have a loan from the Federal Perkins Loan Program, you might be eligible for loan cancellation. Perkins Loans are low-interest federal loans for undergraduate or graduate students who demonstrate exceptional financial need. Forgiveness, discharge, or loan cancellation means that you are no longer expected to repay your loan.



studentaid.gov





Caution before consolidating

If you are thinking about consolidating your federal student loans, do your research first. Whether or not you should consolidate your loans depends on your individual circumstances.

Benefits

- Consolidation can simplify loan repayment. Consolidating multiple federal student loans can give you a single loan with just one monthly payment.
- Allows for a longer period of time (up to 30 years) to repay your loans.
- If you consolidate loans other than Direct Loans, it may give you access to additional income-driven repayment plan options and Public Service Loan Forgiveness. (Direct Loans are from the William D. Ford Federal Direct Loan Program.)
- You might be able to switch any variable-rate loans you have to a fixed interest rate, keeping your payments the same each month.

Possible drawbacks

- Consolidation often increases the period of time you have to repay your loans. So you might end up making more payments and paying more in interest over time.
- Consolidation may also cause you to lose certain benefits—like interest rate discounts, principal rebates, or some loan cancellation benefits—that are associated with your current loans.
- If you're paying your current loans under an income-driven repayment plan, or if you've made qualifying payments toward Public Service Loan Forgiveness, consolidating your current loans will cause you to lose credit for any payments made toward income-driven repayment plan forgiveness or Public Service Loan Forgiveness.

DID YOU KNOW?

Once your loans are combined into a Direct Consolidation Loan, they cannot be undone. Your original loans that were consolidated are now paid off and no longer exist as separate loans, but instead are now one loan, subject to different terms and conditions.



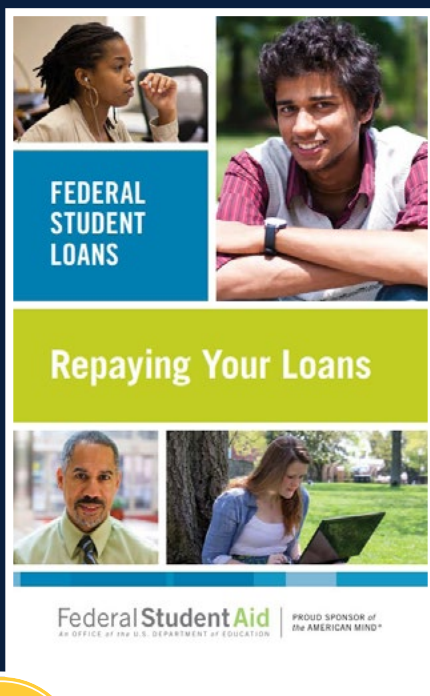
My monthly student loan payment is too high. Do I have any repayment options?

If your federal student loan payments are high compared to your income, you may be eligible for an **income-driven repayment plan**. Generally, your payment amount is a percentage of your discretionary income and can be as low as \$0 per month. There are four income-driven repayment plans:

- Saving on a Valuable Education Plan (SAVE Plan) - formerly the REPAYE Plan
- Pay As You Earn Repayment Plan (PAYE Plan)
- Income-Based Repayment Plan (IBR Plan)
- Income-Contingent Repayment Plan (ICR Plan)

Contact your loan servicer (the company that collects payments on your student loan) for more information about your repayment options. If you would like to repay your federal student loans under one of the income-driven repayment plans, you will need to [apply](#).

Repaying your loans



- ☐ **Don't miss a payment.** If you don't pay the full amount or if you start missing payments, your loan could be considered delinquent and late fees will start accruing.
- ☐ **Never ignore delinquency or default notices from your loan servicer.** If you're having trouble making payments, always ask your loan servicer about your options for an income-driven repayment plan, loan consolidation, deferment, or forbearance.
- ☐ **Check out the [Federal Student Aid's Guide to Repaying Your Loans](#)** for more information about repayment options on federal student loans. The guide has information about loan history, loan servicers, repayment plan options, and how to make loan payments.
- ☐ **If you are seeking [Public Service Loan Forgiveness \(PSLF\)](#)**, you should repay your federal student loans under an income-driven repayment plan.
- ☐ **Never pay a service to help you with your student loans.** Your loan servicer will help you apply for repayment plans, student loan forgiveness, and more.



[download the guide](#)



Glossary of student loan terms

Amortization: Process of paying off debt from a loan or mortgage over time through regular payments.

Default: Failure to pay your loan according to the terms of the promissory note. For most federal student loans, you will default if you haven't made a payment in more than 270 days. It can result in legal consequences and a loss of eligibility for additional federal student aid.

Deferment: Temporary postponement of payment on a loan that is allowed under certain conditions and during which interest doesn't accrue on subsidized loans.

Disbursement: When you receive an education loan, your school is required to disburse (or pay out) your student aid funds at the start of each academic term.

FAFSA: The Free Application for Federal Student Aid is the first step in getting student aid (i.e. loans, grants, work study funds, etc.) for college or career school. The application is used to apply for federal student aid. You must complete a FAFSA each year.

Federal Family Education Loan (FFEL) Program: Under this program, private lenders provided loans to students that were guaranteed by the federal government. These loans included Subsidized Federal Stafford Loans, Unsubsidized Federal Stafford Loans, FFEL PLUS Loans, and FFEL Consolidation Loans. Federal student loans under the FFEL Program are no longer made by private lenders as of 2010. Instead, all new federal student loans come directly from the U.S. Department of Education under the Direct Loan Program.

Federal Pell Grant: A federal grant for undergraduate students with financial need. Since it is a grant and not a loan, it does not need to be repaid. It cannot be received from more than one school at a time.

Federal Perkins Loan: A type of subsidized federal student loan made by your school for undergraduate and graduate students who demonstrate financial need.

Forbearance: A period during which your monthly loan payments are temporarily suspended or reduced. Your lender may grant you a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships. During forbearance, principal payments are postponed but interest continues to accrue. Unpaid interest that accrues during the forbearance will be added to the principal balance (capitalized) of your loan(s), increasing the total amount you owe.



Glossary of student loan terms (cont.)

Grace Period: A period of time after borrowers graduate, leave school, or drop below half-time enrollment where they are not required to make payments on certain federal student loans. Some federal student loans will accrue interest during the grace period, and if the interest is unpaid, it will be added to the principal balance of the loan when the repayment period begins. Grace periods are typically six or nine months, and some private education loan providers also offer grace periods.

Grant: Financial aid, often based on financial need, that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

Interest: A loan expense charged for the use of borrowed money. Interest is paid by a borrower to a lender. The expense is calculated as a percentage of the unpaid principal amount of the loan.

Lender: The organization that made the loan initially; the lender could be your school; a bank, credit union, or other lending institution; or the U.S. Department of Education.

Loan: Money borrowed from the federal government or a private source like a bank or financial institution, and must be paid back with interest.

Loan Forgiveness: A loan may be fully or partially forgiven after a certain number of years of qualifying employment.

Loan Servicer: The company that collects your loan payments and responds to customer service inquiries about your loan.

Promissory Note: A binding legal document that you must sign when you get a federal student loan. It lists the terms and conditions under which you agree to repay the loan and explains your rights and responsibilities as a borrower.

Tuition: The amount of money you owe for receiving instruction, materials, and supplies. Also applies for the rental or purchase of equipment for a course of study.

Let's talk about financial coaching

Are you looking for guidance on how you can get started down the road to financial security?

Need help starting a budget or calculating your savings goals? Our financial advisors can help.

Emily met with a financial advisor from Member Benefits, and this is what she had to say:

"It takes a lot of planning. Especially someone who is just coming out of school. Getting a job and having an income is an exciting thing, but it's important to hit the ground running and plan for what's important to you and set priorities. That wasn't necessarily surprising to me, but it really required a lot of attention from early on."

**Emily Piehl Portillo, Bilingual Speech Pathologist with the Verona Area School District*

**This individual's experience is their own and is not a guarantee of future results for all clients. No compensation was provided for this opinion. Individual is a current client of WEA Financial Advisors, Inc. at the time of this statement.*



Our services

At WEA Member Benefits, **we offer both complimentary and fee-based financial planning services** to Wisconsin public school employees. Our financial advisors specialize in working with Wisconsin public school employees and understand the unique benefits that are available to you.

- » **Visit our website at weabenefits.com/financial-planning** to see what services may be right for you.
- » **Sign up** for a financial coaching session.
- » **Email** our team of financial advisors to set up an appointment.



weafa@weabenefits.com

8 things to consider when filling out the Teacher Loan Forgiveness Program application



The following is a list of the most common questions, mistakes, and issues encountered on the application for Teacher Loan Forgiveness. Be sure to meet all of the eligibility requirements that are listed in sections 7-10 of the [Teacher Loan Forgiveness Application](#).

- ☐ **You must have completed five consecutive academic years as a classroom teacher at a Title 1 School.** If an application is submitted before the five years of service is completed, it will be rejected.
- ☐ **Pre-1998 Loans:** As one of the eligibility criteria for the program, forgiveness is only available to a borrower that had no outstanding balance on a Direct Loan or Federal Family Education Loan (FFEL program loan) on October 1, 1998, or on the date that he or she obtained a Direct Loan or FFEL program loan after October 1, 1998. You may view your federal student loans online via the Federal Student Aid website (studentaid.gov).
- ☐ **Chief Administrative Officer (CAO) certification:** The application must be certified in Section 5 by the CAO after the five years of teaching are completed. The CAO is the official who has access to employment records that establish your eligibility for loan forgiveness in accordance with the requirements explained on the form, and who is authorized to verify your qualifying employment at a school or by an educational service agency. Depending on your employer, the chief administrative officer may be a superintendent, a human resources official or other school district or educational service agency official, or a principal or assistant principal. Make sure the CAO lists his/her title.

8 things to consider

when filling out the Teacher Loan Forgiveness Program application (continued)



- ☐ **Teaching Dates:** The dates of teaching service must include the month, day, and year of the beginning and ending dates of your teaching service. Do not use "present," or "current," or a future date. If you are still teaching, use the date the CAO signed the application as the ending date on your application.
- ☐ **Directory of Low-income Schools:** Your school must have been on the "Annual Directory of Designated Low-income Schools for Teacher Cancellation Benefits (Title I list)" at least the first year you taught there. To determine if your school is on the Title I list, do an internet search for "Teacher Cancellation Low Income Directory." Enter your state, the year you started teaching, and the name of your school. If your school was not on the list the year you started teaching, you must have taught for five consecutive years after it was added to the list.
- ☐ **Multiple Schools:** If you taught at more than one school, a separate application for each school will be needed, including appropriate dates and signatures from the school CAO(s).
- ☐ **Multiple Loans:** If you are applying for forgiveness of loans held by different loan holders or loan servicers, you must submit a separate loan forgiveness form to each of them.
- ☐ **Processing Time:** The entire process usually takes 60-90 days. You will be notified as soon as a determination is reached. Don't give up if you were rejected. Keep copies of everything you send in and try again.

WEA Member Benefits has been helping public school employees and their families achieve their financial goals by providing personal insurance, retirement and investment, and financial planning programs that are designed specifically for the education community.

Learn more at weabenefits.com

Important Disclosures:

This eBook is not all-inclusive of the student loan forgiveness programs that are available. Your student loan situation is unique and the information in this eBook may not apply to everyone. Loan forgiveness programs are federal programs subject to change. For more information, visit the Department of Education's Federal Student Aid website at studentaid.gov.

This eBook is for informational purposes only and is not intended to constitute legal, financial, or tax advice. Certain recommendations or guidelines may not be appropriate for everyone. Consult your personal advisor or attorney for advice specific to your unique circumstances before taking action.

Seminars are free to attend; however, if you choose to invest in the WEA Tax Sheltered Annuity or WEA Member Benefits IRA program, fees will apply. Consider all expenses before investing.

The 403(b) retirement program is offered by the WEA TSA Trust. TSA and IRA program registered representatives are licensed through WEA Investment Services, Inc., member FINRA. The Trustee Custodian for the WEA Member Benefits IRA accounts is Matrix Trust Company. All advisory services are offered through WEA Financial Advisors, Inc., a registered investment advisor.

Family members, including your spouse or domestic partner, children and their spouses, parents, and parents-in-law, may also be eligible to participate in many of our programs. Restrictions may apply. Certain state residency required.

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Sources: U.S. Department of Education, Federal Student Aid studentaid.gov; [Education Data Initiative](https://educationdatainitiative.org). Information within this eBook is based only on existing Federal Student aid programs at the time of its publication (January 2024) and is subject to change without notice. Please refer to the U.S. Department of Education (studentaid.gov) for the most up-to-date information.

