

## Topic 6 of 6: Repayment Examples and Contact Information

If you do not complete your program of study or if you, for any other reason, fail to meet the service obligation previously stated, **your TEACH Grant will be converted to a Federal Direct Unsubsidized Stafford Loan**. You will be required to repay this loan, in full, with interest. You will be charged interest from the date the grant was disbursed.

The following are examples of interest accruals and potential payment amounts. For the purposes of these examples, note these factors:

- Grants are disbursed in two installments. To simplify examples, they are listed as fully disbursed in one disbursement.
- 6.8 percent is the current fixed interest rate of a Federal Direct Unsubsidized Stafford Loan.

### Example 1:

Jane Doe plans to become a math teacher. She enters college in the fall of 2008 and graduates in the spring of 2012. She receives \$4,000 in TEACH Grant money each of the four years that she is in school. Jane has until 2020, to complete her service obligation.

After graduation, it takes Jane four years to be hired into a teaching job that meets all of the qualifications for her service obligation. After three years of teaching, Jane decides she is unhappy and leaves her job. Jane does not go back to teaching and she does not complete her service obligation.

The following chart shows roughly how much Jane will be required to repay at the end of the eight-year service obligation timeframe.

Disbursement Date (Interest Accrual Start Date)	Award Amount	Number of years (2020-Disbursement)	Interest Rate	Estimated Yearly Accrual	Estimated Total Interest accrued
8/15/2008	\$4,000	12	6.8%	\$272	\$3,264
8/15/2009	\$4,000	11	6.8%	\$272	\$2,992
8/15/2010	\$4,000	10	6.8%	\$272	\$2,720
8/15/2011	\$4,000	9	6.8%	\$272	\$2,448
<b>Totals:</b>	<b>\$16,000</b>				<b>\$11,424</b>

Jane will be required to repay the original \$16,000 in grant money, in addition to the \$11,424 in interest that accrued while she was in school and during her service obligation period. At the time her loan is converted to a Federal Direct Unsubsidized Stafford Loan, the interest will be capitalized (added to the principal balance) and her total loan amount will be \$27,424. Jane will continue to accrue interest on her loan balance until it is paid in full.

A typical loan repayment term is 10 years. The standard payment amount on \$27,424 is about \$316. After 10 years at 6.8 percent interest, Jane will have repaid an estimated grand total of \$37,872 for the four TEACH Grants she received.

### Example 2:

John Doe begins his college career with plans of becoming a science teacher. He enters college in the fall of 2008 and receives a TEACH Grant for the first two years he is in school.

By year three, John decides to change his major to engineering and not become a teacher. He notifies ED shortly after he begins his third year in school that he is not going to complete his service obligation. John is enrolled at above a half-time status for three more years and graduates in the spring of 2013.

Because John did not complete a program of study that allows him to become a teacher, he is required to repay the TEACH Grants he received in his first two years as Federal Direct Unsubsidized Stafford Loans.

Disbursement Date (Interest Accrual Start Date)	Award Amount	Repayment Start Date (Date Converted to Loan)	Interest Rate	Estimated Yearly Accrual	Estimated Total Interest Accrued
9/01/08	\$4,000	9/10/10	6.8%	\$272	\$544
9/01/09	\$4,000	9/10/10	6.8%	\$272	\$272
<b>Totals:</b>	<b>\$8,000</b>				<b>\$816</b>

When John's grants are converted to a loan, the interest that has accrued to that point will be capitalized (added to the principal balance). John will be required to repay the original \$8,000 in grant money, in addition to the \$816 in interest that accrued. His total loan balance will be \$8,816.

Because John remains in school at least half time for another three years, he will be eligible to receive an in-school deferment on his loans. During the deferment period, he can either make interest payments or let the interest be capitalized when the deferment period ends.

If John chooses to not make the interest payments, by the time he leaves school, roughly \$1,800 will have accrued in interest on his loan balance of \$8,816. His total loan balance when he leaves school will be about \$10,616 (in addition to any other loans he may borrow). The standard monthly payment amount on \$10,616 is about \$122. He will pay back roughly \$14,660 for the two TEACH Grants he received.

### Contact Information

For more information on TEACH Grants or Federal Direct Stafford Loans, contact the U.S. Department of Education at 1-800-4-FED-AID or visit their website at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).

The Federal Student Aid (FSA) Ombudsman works with student loan borrowers informally to resolve loan disputes that the borrower is unable to resolve with the loan holder. They can also provide assistance with appeals for grants wrongly converted into loans.

You can reach the FSA Ombudsman as follows:

Office of the Ombudsman  
 United States Department of Education  
 4th Floor UCP-3/MS 5144  
 830 First Street NE  
 Washington, DC 20202  
 Toll-free phone: (877)557-2575  
 Internet: <http://fsahelp.ed.gov> or <http://ombudsman.ed.gov>