

Federal TEACH Grant

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 Federal 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:

Joe Student plans to become a math teacher. He enters college in the fall of 2008 and graduates in the spring of 2012. He receives \$4,000 in TEACH Grant money each of the four years that he is in school. Joe has until 2020, to complete his service obligation.

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

The following chart shows roughly how much Joe 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
Totals	\$16,000				\$11,424

Joe will be required to repay the original \$16,000 in grant money, in addition to the \$11,424 in interest that accrued while he was in school and during his service obligation period. At the time his loan is converted to a Federal Direct Unsubsidized Stafford Loan, the interest will be capitalized (added to the principal balance) and his total loan amount will be \$27,424. Joe will continue to accrue interest on his 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, Joe will have repaid an estimated grand total of \$37,872 for the four TEACH Grants he received.

Example 2:

Jane Student begins her college career with plans of becoming a science teacher. She enters college in the fall of 2008 and receives a TEACH Grant for the first two years she is in school.

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

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
Totals:	\$8,000				\$816

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

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

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

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

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>