

CheapScholar's Guide To Paying Back Student Loans

Most student loan programs require students to start making payments 6 months after graduation. The hope is that you have put your new education to good use and are gainfully employed and better prepared to start making payments on your college loans. If you are one of those "fortunate" students/graduates, I would recommend the following advice for you as you start tackling this debt:

Know What You Owe: Are you the type that just pays a bill because someone sends it to you and you just assume they must know how much you owe? If so, the first life altering change you want to adopt is NOT to be that person. Whether it is a medical bill or an education loan, you always need to know what you are paying. In the instance of education loans, you can visit the National Student Loan Database Clearing House to see how much you have outstanding in federal student loans. Most guarantee agencies (manage private education loans) report to them as well, so you may even be able to see some private education loans reflected on this report as well. If all else fails and you can't make sense of your loan situation, drop an email or a call to the financial aid office at the school you graduated from and see if they can provide you with a comprehensive snapshot of the loans you received. Another option is to contact the Bursar's office (or Office of Student Accounts) and they can do a printout of your account reflecting all the activity (charges and credits) that you incurred while being a student.

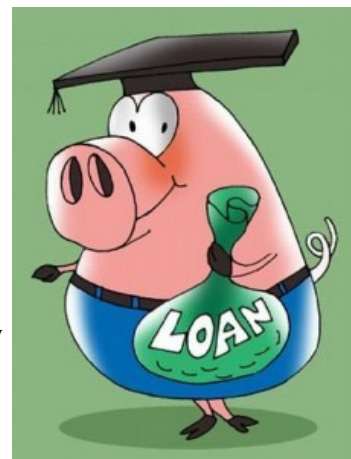
File For In-School Deferment: If you are going to graduate school or taking classes at a college or university (at a half-time load or more), you are not required to start repayment on your education loans. Most of the time, the school that you are attending will file an in-school deferment for you via NSLDS (mentioned above) but not all schools do this. If they don't, you are required to manually file your own deferment paperwork with your lenders. Each one will have its own type of deferment form but you can see an example of one here.

File for Economic Hardship Forbearance: If you don't have a job or you find yourself to be underemployed, you can submit economic hardship paperwork to your lenders and based upon their criteria they can decide to approve or deny your petition. An approval means that you can delay your monthly payments for a time period established by your lender. At the end of that time period, your payments will start up again or you will need to resubmit forbearance paperwork for an additional extension. Most lenders have limits on how many deferments and forbearances you can have, so be sure to educate yourself on any limits imposed by your lenders.

Set Your Payment Based Upon Your income: If you have a lot of federal student loan debt but very little income, the Department of Education has just the payment plan for you (actually they have six of them). They are Standard Repayment, Extended Repayment, Graduated Payments, Income Based Repayment, Income Contingent Repayment, and Income Sensitive Repayment. Seems like with all these options there would be no reason to not be making your monthly payments!

Consolidate Your Loans: If you can't keep track of all your loans and you are making payments to multiple lenders, you may want to look into consolidating your loans with one lender. Typically you would bundle all your federal loans into one group and any non-federal loans into another. Just make sure you are aware of the interest rates and repayment terms before proceeding with consolidation. It may be in your best interest (no pun intended) to keep your loans housed with their current lenders. Also, keep in mind that you could lose some cancellation provisions if you consolidate (see next bullet item).

Some Federal Student Loan Debt Can be Forgiven: That's right! If you are a teacher in a qualifying school district or working in the public services sector, you could qualify to have some or all of your federal loans cancelled/forgiven. There are some caveats to both of these programs but it is definitely worth looking into if you think you qualify.



Still Have Questions?
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