

# UNDERSTANDING YOUR STUDENT LOANS

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# INTRODUCTION

## Navigating Student Loans: A Comprehensive Guide for Former Students

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#### Introduction

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# CHAPTER 1


Congratulations on completing your education! Now, as you embark on your journey beyond academia, understanding and effectively managing your student loans is crucial. This ebook is designed to provide you with comprehensive guidance on navigating the complex world of student loans. Whether you have federal or private loans, this guide will equip you with the knowledge and tools necessary to make informed decisions and successfully repay your loans.

Understanding Student Loans Before delving into repayment strategies, it's essential to grasp the fundamentals of student loans. This chapter will explore the various types of student loans, interest rates, and the role of loan servicers in managing your loans.

Types of Student Loans:

Federal Student Loans: Loans funded by the federal government, including:

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans (for graduate students and parents of dependent undergraduate students)
- Perkins Loans (discontinued as of 2017-2018 academic year)




Private Student Loans: Loans provided by private lenders such as banks, credit unions, and online lenders. These loans typically have varying terms and interest rates depending on the lender and borrower's creditworthiness.

Interest Rates:

Federal Student Loans: Interest rates for federal student loans are set by Congress and are fixed for the life of the loan. The interest rates vary depending on the type of loan and the academic year in which the loan was disbursed. As of the 2021-2022 academic year, the interest rates for federal student loans are as follows:

- Direct Subsidized Loans and Direct Unsubsidized Loans for undergraduate students: 3.73%
- Direct Unsubsidized Loans for graduate and professional students: 5.28%
- Direct PLUS Loans for parents and graduate or professional students: 6.28%

Private Student Loans: Interest rates for private student loans are determined by the lender and may be fixed or variable. The interest rates can vary based on the borrower's credit history, the lender's policies, and prevailing market conditions.



Current Loan Servicers: As of my last update in January 2022, the following loan servicers were contracted by the U.S. Department of Education to manage federal student loans:

1. Navient- <https://navient.com/loan-servicing/login/>
2. Nelnet- <https://nelnet.com/>
3. Great Lakes Educational Loan Services, Inc.- <https://fsapartners.ed.gov/sites/default/files/attachments/eannouncements/032610SchoolSupportServGreatLakes.pdf>
4. MOHELA (Missouri Higher Education Loan Authority)- <https://www.mohela.com/>
5. CornerStone- <https://ccfcu.org/loan-payments/>
6. Granite State Management & Resources (GSM&R)- <https://gsmr.org/>
7. OSLA Servicing (Oklahoma Student Loan Authority)- <https://public.osla.org/>

Please note that loan servicers may change over time, so it's essential to verify the current loan servicers with the U.S. Department of Education or your loan provider.




# CHAPTER 2

Before You Start Repayment, preparing for loan repayment begins before your grace period ends. Learn about the grace period, the differences between loan consolidation and refinancing, and how to create a repayment plan tailored to your financial situation.

**Student Loan Grace Period:** The grace period is a period of time after a borrower graduates, leaves school, or drops below half-time enrollment during which they are not required to make payments on their federal student loans. The purpose of the grace period is to provide borrowers with time to transition from student to graduate and to find employment before they begin making loan payments.


For most federal student loans, the standard grace period is six months. However, grace periods may vary depending on the type of loan. During the grace period, interest may accrue on unsubsidized loans, but it does not accrue on subsidized loans. Borrowers should use the grace period to understand their repayment options, create a budget, and explore different repayment plans.



1. Loan Consolidation vs. Refinancing: Loan consolidation and refinancing are two strategies that borrowers can use to manage their student loans more effectively. Here's a brief explanation of each:

Loan Consolidation:


- Loan consolidation involves combining multiple federal student loans into a single loan with a single monthly payment. This process is typically done through a Direct Consolidation Loan, which is offered by the U.S. Department of Education.
- Benefits of loan consolidation may include simplifying loan repayment by having one monthly payment, extending the repayment term to lower monthly payments, and potentially qualifying for certain repayment plans or loan forgiveness programs.
- It's important to note that loan consolidation only applies to federal student loans, and it does not lower the interest rate or save money on interest payments.



## Refinancing:

1. Refinancing involves taking out a new loan from a private lender to pay off existing student loans, whether federal or private. The new loan typically comes with a new interest rate, repayment term, and potentially different terms and conditions.
2. The primary goal of refinancing is to secure a lower interest rate, which can lead to savings on interest payments over the life of the loan. Borrowers with good credit may qualify for lower interest rates through refinancing.
3. However, refinancing federal student loans with a private lender means losing access to federal benefits such as income-driven repayment plans, loan forgiveness programs, and deferment or forbearance options.
4. Student Loan Repayment Plan: A student loan repayment plan outlines the terms and conditions for repaying student loans, including the monthly payment amount, repayment term, and interest rate. There are several types of repayment plans available for federal student loans, each designed to accommodate borrowers with different financial situations and repayment goals:



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- Standard Repayment Plan: Fixed monthly payments over a 10-year term.
  - Graduated Repayment Plan: Payments start low and increase every two years over a 10-year term.
  - Extended Repayment Plan: Fixed or graduated payments over a period of up to 25 years.

Borrowers can choose the repayment plan that best fits their financial circumstances and goals. It's important to understand the terms of each plan, including how monthly payments are calculated, the total amount repaid over the life of the loan, and any eligibility requirements for specific plans. Borrowers can also change repayment plans if their financial situation changes or if they qualify for a different plan that better suits their needs.



# CHAPTER 3

**Managing Your Repayment** Explore the different repayment plans available to you, including income-driven repayment plans, standard repayment, graduated repayment, and extended repayment. Understand the pros and cons of each plan to choose the one that best suits your needs.

- **Income-Driven Repayment Plans:** Monthly payments are based on the borrower's income and family size, with options such as Income-Based Repayment (IBR), Pay As You Earn (PAYE), Revised Pay As You Earn (REPAYE), and Income-Contingent Repayment (ICR).




# CHAPTER 4

**Making Payments** Discover the various payment options offered by loan servicers, the benefits of setting up automatic payments, and strategies for making additional payments to pay off your loans faster.

1. **Student Loan Payment Options:** Student loan borrowers have several options for making payments on their loans, including:

- **Online Payments:** Most loan servicers offer online portals where borrowers can make payments electronically using a checking or savings account. This is a convenient and secure way to submit payments.
- **Direct Debit:** Borrowers can set up automatic payments through direct debit, allowing the loan servicer to automatically withdraw the monthly payment from their bank account on a specified date each month.
- **Mail-In Payments:** Borrowers can also make payments by mailing a check or money order to the loan servicer. It's important to include the payment coupon provided by the servicer and allow enough time for the payment to be processed.
- **Phone Payments:** Some loan servicers may allow borrowers to make payments.

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- In-Person Payments: In some cases, borrowers may have the option to make payments in person at a physical location operated by the loan servicer.

1. How do Student Loan Automatic Payments Work: Automatic payments, also known as autopay or direct debit, allow borrowers to authorize their loan servicer to automatically withdraw their monthly loan payments from their bank account on a specified date each month. Here's how it works:

- Authorization: Borrowers must first authorize their loan servicer to set up automatic payments by providing their bank account information and signing an authorization form.
- Scheduled Payments: Once authorized, the loan servicer will schedule the monthly loan payments to be withdrawn from the borrower's bank account on the agreed-upon date each month.
- Convenience: Automatic payments offer convenience and peace of mind, as borrowers don't have to worry about remembering to make manual payments each month. It helps ensure that payments are made on time, reducing the risk of late fees or negative impacts on credit scores.
- Potential Benefits: Some loan servicers may offer benefits for borrowers who sign up for automatic payments, such as a reduction in the interest rate or a small discount on the monthly payment amount.



## 1. Why Make Additional Student Loan

Payments: Making additional payments on student loans can have several benefits for borrowers:

- **Pay Off Loans Faster:** By making extra payments, borrowers can pay down the principal balance of their loans more quickly, reducing the total amount of interest paid over the life of the loan and potentially paying off the loan ahead of schedule.
- **Save Money on Interest:** Every additional payment made goes directly towards reducing the principal balance of the loan, which means less interest accrues over time. This can lead to significant savings on interest payments.
- **Improve Financial Health:** Paying off student loans faster can free up funds for other financial goals, such as saving for retirement, buying a home, or starting a business. It can also reduce financial stress and improve overall financial well-being.
- **Build Credit:** Making additional payments and paying off loans early demonstrates responsible financial behavior, which can positively impact credit scores and make it easier to qualify for future loans or credit cards.

Overall, making additional payments on student loans can help borrowers achieve financial freedom faster and reduce the long-term cost of borrowing.




# CHAPTER 5

Dealing with Financial Hardship Life may throw unexpected financial challenges your way. Learn how to navigate deferment, forbearance, and loan forgiveness and discharge programs when facing financial hardship.

1. **Student Loan Deferment:** Student loan deferment is a temporary postponement of loan payments granted by the loan servicer under specific circumstances. During a deferment, borrowers are not required to make payments on their student loans, and interest typically does not accrue on subsidized federal student loans. Here are some common reasons why borrowers may qualify for deferment:


- **Enrollment in School:** Borrowers who return to school at least half-time may qualify for deferment on their student loans. This includes undergraduate, graduate, or professional studies.
- **Economic Hardship:** Borrowers who experience economic hardship, such as unemployment, financial hardship, or receiving federal or state public assistance, may qualify for deferment.
- **Military Service:** Borrowers who are serving on active duty in the military, including the National Guard, may qualify for deferment during their service and for up to 13 months following their service.

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- Peace Corps or AmeriCorps Service:  
Borrowers who are serving in the Peace Corps or AmeriCorps may qualify for deferment during their service and for up to 12 months following their service.

It's important for borrowers to apply for deferment through their loan servicer and provide documentation to support their eligibility. Borrowers should also be aware that interest may continue to accrue on unsubsidized federal student loans and all private student loans during deferment.

1. Student Loan Forbearance: Student loan forbearance is another option for temporarily pausing or reducing loan payments, similar to deferment, but with some key differences. During forbearance, borrowers may be allowed to temporarily suspend or reduce their monthly loan payments for a specified period of time. However, unlike deferment, interest continues to accrue on all types of student loans, including subsidized federal student loans.

Common reasons for forbearance include financial hardship, medical expenses, or other personal reasons that make it difficult for borrowers to make their loan payments. Forbearance is typically granted at the discretion of the loan servicer and may be granted for a maximum of 12 months at a time.




It's important for borrowers to understand that while forbearance can provide temporary relief, it may increase the total amount repaid over the life of the loan due to the accrual of interest. Borrowers should explore other repayment options, such as income-driven repayment plans or deferment, before opting for forbearance.

#### 1. Loan Forgiveness and Discharge

Programs: Loan forgiveness and discharge programs are options for borrowers to have some or all of their student loans forgiven or discharged under certain circumstances. These programs are typically available for federal student loans and may be granted based on factors such as employment, service, or disability. Here are some common loan forgiveness and discharge programs:

- Public Service Loan Forgiveness (PSLF): Forgives the remaining balance on eligible Direct Loans after the borrower has made 120 qualifying monthly payments while working full-time for a qualifying employer in public service.




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- Teacher Loan Forgiveness: Forgives up to \$17,500 of federal student loans for eligible teachers who have taught full-time for five consecutive years in a low-income school or educational service agency.
  - Total and Permanent Disability Discharge: Discharges federal student loans if the borrower is totally and permanently disabled and unable to engage in substantial gainful activity.
  - Closed School Discharge: Discharges federal student loans if the borrower's school closes while they are enrolled or within 120 days of withdrawal.
  - Discharge Due to Death: Discharges federal student loans if the borrower dies, relieving their estate or survivors of the obligation to repay the debt.

It's important for borrowers to understand the eligibility requirements and application process for each forgiveness and discharge program and to submit any required documentation to their loan servicer. Some programs may require borrowers to make a certain number of qualifying payments or meet other criteria before forgiveness or discharge is granted.




# CHAPTER 6

1. **Avoiding Default** Defaulting on your student loans can have severe consequences. Understand the implications of default and explore options such as loan rehabilitation and consolidation to **Consequences of Student Loan Default**: Defaulting on a student loan can have serious and long-lasting consequences for borrowers. Here are some of the potential consequences of student loan default:
  - **Damage to Credit Score**: Student loan default can significantly damage a borrower's credit score, making it difficult to qualify for future credit cards, loans, or mortgages. A lower credit score can also result in higher interest rates on future loans.
  - **Collection Activities**: Once a loan is in default, the loan servicer may initiate collection activities to recover the outstanding balance. This can include contacting the borrower via phone, mail, or email, and may involve third-party debt collection agencies.
  - **Wage Garnishment**: In cases of federal student loan default, the government may garnish a portion of the borrower's wages to repay the debt. Wage garnishment can result in a significant reduction in take-home pay and may continue until the debt is paid in full or other arrangements

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- **Tax Refund Offset:** The government may intercept federal income tax refunds and apply them towards the defaulted student loan balance through a process known as tax refund offset. This can occur without notice to the borrower.
  - **Loss of Federal Benefits:** Defaulting on federal student loans can result in the loss of eligibility for future federal financial aid, including grants, loans, and work-study programs. Additionally, borrowers may be ineligible for certain federal benefits, such as deferment, forbearance, or loan forgiveness programs.
  - **Legal Action:** In extreme cases, the loan holder may pursue legal action against the borrower to recover the outstanding debt. This could result in the borrower being sued for the unpaid balance, leading to additional court costs, legal fees, and potential judgments against them.

1. **Rehabilitation and Consolidation Options for Student Loans:** For borrowers who have defaulted on their student loans, there are options available to rehabilitate or consolidate the loans to bring them out of default and regain eligibility for repayment plans and other benefits. Here are two common options:

- **Loan Rehabilitation:** Loan rehabilitation involves making a series of consecutive, on-time payments to bring the loan out of default.



. For federal student loans, borrowers typically must make nine monthly payments within a 10-month period to rehabilitate the loan. Once rehabilitation is complete, the loan is transferred to a new loan servicer, and the default status is removed from the borrower's credit report.

- **Loan Consolidation:** Loan consolidation involves combining multiple federal student loans into a single Direct Consolidation Loan. This can simplify loan repayment by providing one monthly payment and may offer borrowers the opportunity to select a new repayment plan. Consolidation can also help borrowers regain eligibility for certain federal benefits, such as deferment, forbearance, and income-driven repayment plans.

It's important for borrowers to carefully consider their options and choose the best solution based on their individual financial circumstances and goals. Additionally, borrowers should contact their loan servicer to discuss available options and determine the steps necessary to rehabilitate or consolidate their defaulted student loans. Avoid this situation.




# CHAPTER 7

Resources and Tools Access valuable online resources and budgeting tools to aid you in managing your student loans effectively.

Student Loan Websites and Online Resources:

1. **StudentAid.gov:** The official website of the U.S. Department of Education's Office of Federal Student Aid. It provides comprehensive information on federal student aid programs, including loans, grants, and work-study opportunities, as well as tools for estimating college costs, comparing financial aid offers, and managing student loans.
2. **National Student Loan Data System (NSLDS):** A central database that stores information about federal student aid recipients, including loan and grant amounts, loan servicers, and loan statuses. Borrowers can access their loan information and track their federal student loans on the NSLDS website.
3. **Federal Student Aid (FSA) Repayment Estimator:** An online tool provided by the U.S. Department of Education that helps borrowers estimate their monthly loan payments under various repayment plans based on their income and loan balance. Borrowers can input their loan information to compare repayment options and determine the most suitable plan for their financial situation.




4. Consumer Financial Protection Bureau (CFPB) Student Loan Complaint System: A platform where borrowers can submit complaints and feedback related to their student loans. The CFPB investigates complaints and works to resolve issues with loan servicers, lenders, and other stakeholders on behalf of borrowers.


Student Loan Ranger Blog: A blog run by the nonprofit organization American Student Assistance (ASA), providing articles, tips, and resources to help borrowers navigate the complexities of student loans, repayment options, and financial aid.

Student Loan Budgeting Tools:

1. Mint: A popular personal finance app that offers budgeting tools, expense tracking, and goal setting features. Users can link their student loan accounts and other financial accounts to Mint to monitor their spending, track loan payments, and create customized budgets.
2. You Need A Budget (YNAB): A budgeting app based on the zero-based budgeting method, which requires users to assign every dollar of income to specific spending categories. YNAB helps users prioritize debt repayment, including student loans, by providing tools for setting financial goals, tracking progress, and adjusting budgets as needed.

Personal Capital: A financial management platform that combines budgeting, investment tracking, and retirement planning tools. Users can link their student loan accounts and other

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1. financial accounts to Personal Capital to get a comprehensive view of their financial picture and create customized budgets to manage expenses and debt repayment.
  2. ReadyForZero: A debt management tool that helps users create personalized debt repayment plans and track progress towards paying off their loans. ReadyForZero offers features such as payment scheduling, debt payoff projections, and debt payoff calculators to help users stay on track with their financial goals.
  3. Debt Payoff Assistant: A mobile app designed specifically for managing debt repayment, including student loans. Users can input their loan information, set payoff goals, and track their progress over time. The app provides visualizations and notifications to keep users motivated and focused on paying down their debt efficiently.



In conclusion, successfully managing your student loans requires diligence, knowledge, and proactive decision-making. By implementing the strategies outlined in this ebook, you can take control of your financial future and achieve your repayment goals.

This ebook aims to empower you with the information and resources necessary to navigate the complexities of student loan repayment confidently. Remember, you're not alone in this journey, and with the right tools and mindset, you can overcome any challenges that come your way.

If you have any questions please email us:  
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