The Top 10 Student Loan Tips for Recent Graduates

Whether you are graduating or just taking a break from college, these tips will help you stay on top of your student loans. That means avoiding fees and extra interest costs, keeping your payments affordable, and protecting your credit rating.

1. **Know Your Loans:** It's important to keep track of the lender, balance, and repayment status for each of your student loans. These details determine your options for loan repayment and forgiveness. You can start by visiting www.nslds.ed.gov. Once you log in you can find out your total loan amounts, servicer(s) contact information, and the repayment status of all your federal loans. If some of your loans are not listed, they are probably private (non-federal) loans. For those, try to find the paperwork that you signed; contact the school from which you borrowed them if you cannot locate any records.
2. **Know Your Grace Period:** Different loans have different grace periods (how long you can wait after leaving school before you have to make your first payment). For Perkins loans the grace period is nine months; for Stafford and most other federal loans it's six months. The grace periods for private student loans vary, so consult your promissory note or contact your lender to find out.
3. **Pick the Right Repayment Option:** When your federal loans come due, your loan payments will automatically be based on a standard 10-year repayment plan. If the standard payment is going to be hard for you to cover, there are other options that can help you manage your debt, including alternative repayment plans and deferments. Extending your repayment period beyond 10 years can lower your monthly payments, but you'll end up paying more – sometimes a *lot* more – in interest over the life of the loan. A relatively new option is the Income-Based Repayment program. It can cap your monthly payments at a reasonable percentage of income, and forgive any debt remaining after 25 years of payments. Forgiveness may be available after just 10 years of payments for borrowers in the public and nonprofit sectors (see #10 below). To find out more about Income-Based Repayment, visit www.ibrinfo.org.
4. **Stay in Touch with Your Lender:** Whenever you move or change your phone number, make sure to tell your lender right away. If your lender needs to contact you and your information isn't current, it can end up costing you a bundle. Open and read every piece of mail you receive about your student loans. If you're getting unwanted calls from your lender or a collection agency, don't stick your head in the sand! Talk to them about the issue: lenders are supposed to work with borrowers to resolve problems. Ignoring bills or serious problems can lead to default.
5. **Remember that You Have Options:** If you're having trouble making payments, don't panic. Whether it's due to unemployment, health problems, or going back to school, there are legitimate ways to postpone your federal loan payments, such as deferments and forbearance. But beware: interest accrues on subsidized, unsubsidized, and private loans during forbearances. For federal loans, first see if Income-Based Repayment plan could help instead.
6. **Stay out of Trouble!** Ignoring your student loans has serious consequences that can last a lifetime. Not paying can lead to delinquency and default. For federal loans, default kicks in after nine months of non-payment. When you default, your total loan balance becomes due, your credit score is ruined, the total amount you owe increases dramatically, and the

This list was adapted from http://projectonstudentdebt.org/recent_grads.vp.html.

government can garnish your wages and seize your tax refunds. Talk to your lender if you're in danger of default. You can also find useful information at studentloanborrowerassistance.org.

7. **Lower Your Principal if You Can:** When you make a loan payment, it covers any late fees first, then interest, and finally the principal. If you can afford to pay more than your required monthly payment, you can lower your principal, which will reduce the amount of interest you have to pay. The easiest way to lower your principal is scheduling monthly payments that are more than the minimum. The extra that you pay should be completely applied to the principal of the loan. You can see how much of each payment is split between interest and principal on your servicer's website. If you're making an additional payment in one month, include a written request to your lender to make sure that the extra amount is applied to your principal; otherwise they will likely split it between interest and principal. Keep copies for your records and check back to be sure the overpayment was applied correctly.
8. **Pay Off the Most Expensive Loans First:** If you're considering paying off one or more of your loans ahead of schedule, or trying to reduce the principal, start with the one that has the highest interest rate. If you have private loans in addition to federal loans, start with your private loans, since they almost always have higher interest rates and lack the flexible repayment options and other protections of federal loans.
9. **To Consolidate or Not to Consolidate:** A consolidation loan combines multiple loans into one for a single monthly payment and one fixed interest rate. You can find a calculator and other useful information at www.loanconsolidation.ed.gov. Just remember that even though consolidating your loans may simplify repayment, it could also lead to a higher interest rate. Switching federal loan repayment plans may be a better option.
10. **Loan Forgiveness:** There are various programs that will forgive all or some of your federal student loans if you work in certain fields. Options are available for teachers in low-income communities, nurses, AmeriCorps and Peace Corps volunteers, government, nonprofit, and other public service jobs, and other professions. For a list of programs that offer loan forgiveness, visit http://www.finaid.org/loans/forgiveness.phtml.

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