

# PAYING BACK STUDENT LOANS



A higher education comes with the potential to earn a greater income, but it often means taking on student debt that can limit your progress toward financial security. According to recent studies, many graduates have delayed contributing to their retirement accounts due to student loan debt.

Properly managing your debt can protect your credit rating and help you achieve other goals like home purchases and retirement.

# THE WORLD OF STUDENT LOAN REPAYMENT

## PRIVATE LOAN REPAYMENT

The repayment options for private student loans are set by the lender. However, the most common choices are listed in the chart below. In most cases, you can refinance and consolidate your private student loans to extend your loan term and possibly qualify for a lower interest rate.

REPAYMENT PLAN	DESCRIPTION	BENEFITS	CONSIDERATIONS
<b>IMMEDIATE REPAYMENT</b>	Principal and interest payment start as soon as the loan is disbursed.	You will pay less over time than other plans.	Immediate payments can be difficult for many borrowers while they are in school.
<b>INTEREST-ONLY</b>	Make interest-only payments while you are in school. Principal and interest payments start once you leave or drop below half time.	You will save money on interest because it won't accrue while you're in school.	Payments, while smaller than a principal and interest payment, are still required while borrower is in school.
<b>FIXED</b>	Make low, fixed monthly payments while you are in school. Principal and interest payments start after you leave or drop below half time.	Your monthly payments will be more affordable.	Interest will still be added to your loan balance when you start making principal and interest payments.
<b>FULL DEFERMENT</b>	No payments while you are in school at least half time. Principal and interest payments start approximately six months after you leave.	You make no payments while you are in school, and you have more time to find a job before repayment.	Biggest drawback is the total cost of the loan. Interest continues to accrue during the deferment period and will be added to your loan balance when you start making payments.

# FEDERAL STUDENT LOAN REPAYMENT

There are a number of repayment plans for federal student loan debt. The key is to work with your loan service provider to choose a plan that is affordable for you.

Remember, even if you selected or were assigned a repayment plan when you took your loan, you can change at any time.

Not all Federal Student Loans will be eligible for every plan listed below. See [studentaid.ed.gov](http://studentaid.ed.gov) for more complete details.

REPAYMENT PLAN	DESCRIPTION	BENEFITS	CONSIDERATIONS
<b>STANDARD</b>	Payments are fixed up to 10 years or up to 30 years for consolidation loans.	You will pay less over time than other plans.	Slightly higher payments than other plans.
<b>GRADUATED</b>	Payments start lower and increase, normally every two years. Loans are up to 10 years or up to 30 years for consolidation loans.	Lower payments while establishing your career.	While the graduated payments will never exceed three times other payments, this loan will cost more than the standard loan.
<b>EXTENDED</b>	Payments may be fixed (like the standard) or graduated up to 25 years.	Monthly payments are more affordable.	You will pay more over time than under the standard plan.



# INCOME-BASED LOAN REPAYMENT

Student loan debt prevents many people from building emergency funds, saving for retirement, or paying for adequate insurance. If your student loan payments are high compared to your income, you may want to consider either an income-driven or income-sensitive repayment plan.

Income-based repayment plans are intended to be affordable and are typically calculated based on income and family size.

Not all Federal Student Loans will be eligible for every plan listed below. See [studentaid.ed.gov](https://studentaid.ed.gov) for more complete details.

REPAYMENT PLAN	DESCRIPTION	BENEFITS	OTHER INFORMATION
<p><b>REVISED PAY AS YOU EARN (REPAYE)</b></p> <p><b>PAY AS YOU EARN (PAYE)</b></p>	<p>Monthly payments as a percent of discretionary income:</p> <ul style="list-style-type: none"> <li>» REPAYE = 10%</li> <li>» PAYE ≤ 10%</li> </ul> <p>Recalculated annually.</p>	<p>Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.</p>	<p>REPAYE payments could be more than the 10-year standard plan, but PAYE payments will never be more. Taxes may be owed on any amount forgiven.</p>
<p><b>INCOME-BASED REPAYMENT (IBR)</b></p>	<p>Monthly payment will be 10% or 15% of discretionary income. Recalculated annually.</p>	<p>Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.</p>	<p>Payments will never be higher than the 10 year standard plan. Taxes may be owed on any amount forgiven.</p>
<p><b>INCOME-CONTINGENT REPAYMENT (ICR)</b></p>	<p>Monthly payment will be the lesser of:</p> <ul style="list-style-type: none"> <li>» 20% of discretionary income, or</li> <li>» Amount you would pay on a 12-year fixed payment plan adjusted to income.</li> </ul>	<p>Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 25 years.</p>	<p>Payments could be higher than 10 year standard plan. Taxes may be owed on any amount forgiven. Parent PLUS Loans can consolidate into a Direct Consolidation Loan.</p>
<p><b>INCOME-SENSITIVE</b></p>	<p>Monthly payment is based on annual income and varies according to lender.</p>	<p>Lower monthly payments up to 15 years.</p>	<p>You will pay more over time than under the standard plan.</p>

# PAYING BACK STUDENT LOANS: SERVICE MEMBERS

The programs and exemptions listed below can help qualifying service members pay back their student loans.

## **THE PUBLIC SERVICE LOAN FORGIVENESS (PSLF) PROGRAM:**

This program forgives the remaining balance on your Direct Loans after you have made 120 qualifying payments under a qualifying repayment plan while working full-time for a qualifying employer. To learn more about this great benefit and how it can potentially help you, visit the Federal Student Aid website at [studentaid.ed.gov](https://studentaid.ed.gov) and search for PSLF.

## **ZERO PERCENT STUDENT LOAN INTEREST RELIEF:**

Service members are exempt from paying interest on certain student loans for up to 60 months while serving in an area qualifying for hostile fire or imminent danger pay. Service members and veterans may receive a refund if they overpaid interest during previous periods of qualifying service.

The 0% provision applies to Direct Loans or a portion of Direct Consolidation Loans issued on or after October 1, 2008. Contact your loan servicer to take advantage of this valuable exemption. Or for more information on Zero Percent Student Loan Interest Relief, visit [studentaid.ed.gov](https://studentaid.ed.gov) and search for the publication *For Members of the U.S. Armed Forces*.

## **THE SERVICEMEMBERS CIVIL RELIEF ACT (SCRA) INTEREST RATE CAP:**

Under the SCRA, interest on student loans obtained prior to your military service is capped at 6% during periods of active duty. Federal and private loans are eligible for this benefit, but check with your loan servicer for more details.

# STUDENT LOAN DEFERMENTS

Service members may be able to postpone student loan repayments during certain periods of active duty and immediately following active duty. These deferments can apply to Federal and some private student loans. Contact your loan servicer for information about your specific situation.

Paying back student loans is never easy, but for qualifying service members these programs and exemptions can help.