

Manage Your Student Loan

Determine the Total Cost of Your Loan

Not all loans are the same. Federal student loans are generally cheaper, while a private loans may offer more flexible repayment terms. Some factors that will help you figure out what sort of loan is best for you include:

Interest rate: Is the rate variable or fixed? If variable, when will the rate increase? You may qualify for an interest rebate if you make your loan payments on time and over a period of time.

Fees: A low interest rate offsets high processing fees (like origination and guarantee fees), and vice versa. Generally, 4% in fees is equal to about 1% in interest.

Repayment terms: The time you take to pay back a loan can affect the final cost. Make sure to read the information on loan

Repayment Options, on the right-hand side of the page.

Should I Consolidate My Loans?

If you have multiple student loans with varying interest rates and repayment plans, it may be a good idea to consolidate your loans. Here are some pros and cons to loan consolidation:

- + It will combine all of your debt into one loan with a fixed interest rate and one monthly payment.
- + Most of the time, the consolidated interest rate and monthly payment will be lower than if you do not consolidate.
- Although you may lower your monthly payment, your loan terms may be extended upon consolidation.
- Your monthly payment is lower, but you will pay MORE overall. With longer terms, there is more time for interest to accrue, and the total amount you pay on the loan will be more.

Problem Paying Back Your Loan? Get Help!

Loan default is when you fail to make regular payments over a 270-day period. Consequences are **serious** and can include:

Lost eligibility for further federal aid: Defaulting on your current loan may jeopardize your eligibility to receive future aid (such as for graduate or law school).

Collection agency involvement: Your loan balance will be due in full and you will have to pay additional interest and fees as well as collection costs (up to 18.5% of the balance).

Damaged credit rating: Your default will remain on your credit report for up to seven years and will negatively impact your chances of being approved for a credit card, car or home loan. *It can even affect your ability to rent an apartment or get a job!*

If you're having trouble making payments, don't wait! Get help from your loan holder or servicer immediately.

FastTip: To learn more about loans, consolidation and repayment plans, visit the FinAid page at: www.finaid.org/loans/

The site features free calculators that help you analyze cost, explore repayment plans and understand consolidation.

Repayment Options

Many repayment options are flexible, but can depend on the type of loan and the amount that you borrowed.

Standard Repayment Plan

Monthly payment = Total loan amount ÷ number of months in repayment plan. Maximum is 120 months (10 yrs).

Advantages: Economical and predictable. Able to budget more easily as monthly payments stay the same.

Disadvantages: No major disadvantages, however, other options may be more customized to fit you.

Extended Repayment Plan

Monthly payment = Same as Standard Plan, but maximum is up to 360 months (30 years).

Advantages: Lower monthly payments than Standard Plan.

Disadvantages: You'll pay more over time as interest accrues.

Graduated Repayment Plan

Monthly payment = Same as Extended Plan, but with increases every two years until the loan is paid off.

Advantages: Monthly payments will be easier to manage at first; initial payments will be lower than the Standard Plan.

Disadvantage: You will end up paying more in interest over the life of the loan. Also, without an increasing income, you may have trouble as the monthly payments rise over time.

Income Contingent Plan

Monthly payment = adjusted annually, based on your income, family size, interest rate and loan amount. Your payments will rise and fall through the repayment plan.

Advantages: Up to 25 years to repay. Any portion of the loan amount that has not been repaid up to this time is forgiven.

Disadvantages: After 25 years, the forgiven loan balance will be counted as income and is taxable. Parent loans not eligible.

FastTip: Trouble working with your loan servicer?

Visit the Federal Student Aid Ombudsman site:

<http://www.ombudsman.ed.gov/>

to find tips and steps to solve your loan problems.

Additionally, the FSA Ombudsman resolves disputes and recommends solutions on federal loans should you not be able to resolve issues on your own.

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