

# 12 Steps to Manage After-School Loan Debt

## 1. Complete Exit Counseling

- a. An overview of loan terms, student obligations, repayment options, and long term effects
- b. [www.nsls.ed.gov](http://www.nsls.ed.gov) - Direct Student Loans (subsidized and unsubsidized)
- c. [www.uasexit.com](http://www.uasexit.com) - Perkins

## 2. Organize loan paperwork in chronological order

- a. Keep track of your loan paperwork so that you can provide information when needed

## 3. Consolidate federal student loans

- a. Do not consolidate with other types of loans
- b. Private and federal student loans cannot be consolidated together
- c. Retains subsidy benefits
- d. No minimum or maximum loan amounts
- e. No fees
- f. Deferment benefits

## 4. Know your options for repayment plans and potential loan forgiveness

- a. Standard Repayment
  - i. 10 years
- b. Extended Repayment
  - i. Up to 25 years
  - ii. Debt must be greater than \$30,000
- c. Graduated Repayment
  - i. 10 years
  - ii. Lower payments at beginning
  - iii. Increasing payments with time
- d. Alternative Repayment
  - i. Income-based
    1. Caps monthly payments at 15% of discretionary income
    2. No income - \$0 payment
    3. Good for borrowers with high debt and low income
  - ii. Income Contingent
    1. Less generous
    2. Caps monthly payment at 20% of discretionary income
- e. Loan Forgiveness
  - i. Portion can be forgiven after each year of service
  - ii. Remaining debt is forgiven after 10 years
    1. Public service/non-profit
    2. Volunteering
    3. Military service
    4. Areas of nation need (teaching, medicine, public defender/prosecutor)

## 5. Keep your personal information up to date with your lender

## 6. Make loan payments regularly and on time

## 7. Use auto-debit option to make loan payments at a lower interest rate

**8. Pay off higher interest debt first**

**9. Track federal student loans at [www.nslds.ed.gov](http://www.nslds.ed.gov)**

**10. Take advantage of income tax credits for paid interest on student loans**

**11. Contact your lender if you have difficulty making your payments**

- a. Short-term
  - i. Deferment - suspends monthly payments
    - 1. In school
      - a. No limit on length of time
      - b. Must reapply each year
      - c. Federal government pays subsidizes interest on qualified loans
    - ii. Forbearance – suspends monthly payments
      - 1. Economic hardship – unemployment
      - 2. Medical
        - a. Three-year limit
        - b. Must reapply each year
        - c. Borrower is responsible for interest on ALL loans
- b. Long-term
  - i. Alternative repayment plans
- c. Loan cancellation
  - i. Death of borrower
  - ii. Permanent disability
  - iii. **NOTE:** private student loans do not include cancellation provisions.

**12. DO NOT default**

- a. Non-payment 270-360 days
- b. Appears on credit record
- c. Entire loan balance can become due
- d. Collection agency costs
- e. Difficult to get new loans of any type
- f. Unable to renew professional license
- g. Unable to enlist in armed forces
- h. Garnishment of wages
- i. Intercept federal and/or state tax refunds
- j. Withhold social security benefit payments
- k. Not eligible for new financial aid
- l. Ineligible for deferments
- m. Subsidized interest benefits are denied

**HIGH STUDENT LOAN DEFAULT RATES CAN EFFECT  
THE OPERATIONS OF A COLLEGE**

[www.studentloans.gov](http://www.studentloans.gov)  
[www.nslds.ed.gov](http://www.nslds.ed.gov)