

10 Things You Absolutely Need To Know About Student Loans



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As is typically the case, the [majority](#) of Americans are professing that the new year will be “the year” they get their finances in order. Never mind the fact that an even larger majority reported that they had failed to follow-through on last year’s self-improvement quests; 2016 will be the one in which they finally prioritize paying off debt and building their savings.

These are certainly noble goals, and I wish everyone luck in their journey towards financial betterment. But goals are one thing; informed plans are another. So, if you’re a part of the 32% who say that paying off debt is your number one goal in 2016 – and if said debt is student debt – here are ten things you need to know as you embark on the road to debt-free living:

1. **Organization is paramount.** If you have multiple loans with multiple different servicers, it can be [helpful to create a list](#) of who you owe, the required minimum monthly payment (and due date), and the website you go to when you need to make a payment and view your account details. Not sure who you owe? Head to the National Student Loan Database at nslds.ed.gov to view all of your guaranteed loans (that includes “direct loans” from Uncle Sam and the guaranteed student loans that were made by private lenders through June 2010) and the contact info for those loans’ servicers. Note: prior to May of 2015, you needed a Federal Student Aid PIN to get into the NSLDS site, but as of May 10, 2015, [the FSA ID replaced the Federal PIN](#). If it’s been awhile since you’ve logged into a federal student loan site (like fafsa.gov), you’ll need to create an FSA ID – [which you can do here](#). Once you have your FSA ID, you’ll be able to log into nslds.ed.gov. If you have private loans but aren’t sure where, pull your credit report at annualcreditreport.com to see who you owe. Once you have your list of loans and account info, be sure to log into each account and make sure your servicer has an up-to-

date address, phone number and email address for you (or, if you're a parent reading this, for your child). You would not believe the number of [horror stories](#) out there about people who gave a servicer a college address, moved away, never updated the account info, and fell behind on payments because they never received any "payment due" notifications at their new address.

2. **There ARE federal alternative repayment options.** If after making the above list of loans and monthly payments you find that your monthly obligation is just too much to bear -- and, crucially, if some or all of your debt is federally guaranteed -- consider entering into an income-driven repayment plan. Depending on what your monthly income is and when you originated your federally guaranteed loans, you could qualify to have your student loan payments capped at 10%, 15% or 20% of your discretionary income and payment period stretched to 20 or 25 years. You can find details on each plan at studentaid.ed.gov, and you can apply for one at studentloans.gov. Just note: the longer it takes you to pay off your loans, the more you'll pay in interest.
3. **There are also ways to get relief on your private student loans.** The above alternative repayment plans are only for federally guaranteed loans, but if you're struggling to make payments on student loans held with a private servicer (like Discover or Citizens Bank), [it is possible to call the servicer and see what relief they can provide](#). Banks like Wells Fargo and Discover offer loan modifications or interest rate reductions for struggling borrowers; some lenders also may temporarily postpone your payments while you get on your feet.
4. **If you're in good credit standing, you could qualify to refinance your student loans to better terms.** Over the past several years, startups like SoFi, CommonBond and Earnest have [entered the student loan space](#) and made it possible for borrowers with excellent credit to refinance their loans to better rates. The emphasis, though, is on the word "excellent": folks with high incomes and a solid credit history have a better chance than most of qualifying for one of these loans. If you do qualify, the upside is tremendous: these companies can help borrowers save upwards of \$14,000 over the life of their loans.
5. **But don't be swindled by student debt scams.** All of the above options -- income-based repayment plans listed on studentaid.ed.gov, refis with companies like SoFi, CommonBond and Earnest -- are all perfectly legitimate and financially secure ways to repay your student debt. However, there are a number of sketchy players out there who are trying to take [advantage of desperate debtors](#). These hucksters create websites that look like they belong to the U.S. Department of Education (spoiler alert: they don't) and advertise "student debt forgiveness" or "student debt settlement." All they ask in exchange for their "help" is a hefty up-front fee and monthly payments every month thereafter. How to know who to avoid? A list of some of the worst offenders [can be found here](#); if you get a phone solicitation from one of these names -- or any other company that is pressuring you into a repayment plan, and to pay for said plan -- hang up the phone.
6. **Put your payments on auto-debit.** Like most things personal finance, making student loan payments is easier if you can "set it and forget it." Some lenders even offer a .25% reduction on your interest rate if you put your monthly payments on auto-pilot. One reason not to do this? If you're on an extremely tight budget and risk overdrawing your account with automatic payments. If that's the case, though, see the above points on

alternative repayment options, and also be sure to set calendar alerts before each payment is due, just so you don't forget.

7. **The Fed just raised interest rates, but that doesn't necessarily mean that the rate on your loan will increase.** As I [wrote at the time](#), if you have a student loan with a fixed interest rate -- which you do if you borrowed from the federal government after July 1, 2006, or locked in a fixed-rate private student loan — the Fed's decision means nothing to you. Your rate will stay the same. If you have a variable-rate loan, you will see your rate start to fluctuate. Whether or not this uncertainty scares you enough to refinance your loan into a fixed rate depends on both your tolerance for risk and the duration of the loan you hold. (To see more about what the Fed's rate hike means for your student loans, head [here](#).)
8. **If you're still in school, it's not too late to get a scholarship.** Contrary to popular belief, scholarships [aren't just for incoming freshman](#) – there are also grants available for rising sophomores, juniors and even seniors. You can search for scholarships through sites like Cappex.com, Fastweb.com and Scholarships.com.
9. **If you're about to enter college or still in college, it's critical that you understand the financial aid “award” letter.** There's much that can be said about the financial aid award letters that arrive every spring – and for a comprehensive list of what to know, [head here](#) – but above all, know this: the number next to the term “financial aid award” is not necessarily entirely free money. In order to come up with the aid total, many colleges mix loans with grants and scholarships. Doing this makes your total “aid award” look bigger, but as you well know by now, loans are not gifts. They need to be repaid.
10. **Your life is not over because you have debt.** This, in my opinion, is the most important thing to keep in mind as you go about repaying your loans. Yes, some borrowers [would sell an organ in order to get rid of their debt](#), but others have borrowed \$50,000 or more (for an undergraduate degree) [and don't regret a single cent](#). Speaking as someone who is still repaying her own student loans, allow me to say: I get it, 100%. Life with student debt can be stressful; it can be frustrating to see hundreds of dollars go “out the window” every month when you'd rather save for a house, car or even family. But I've found that making those monthly payments can be a good way to learn how to budget, how to live below your means; critically, it can also help you build a solid credit history. Besides, **if you have student loans, you have them because you got an education (ideally, you got a degree, but at the very least, you got an education). And that's something that will last you a lifetime.**

Tags: loans, student loan, loan providers, incoming freshman, parents, & scholarships