GREAT ADVICE FOR REPAYMENT

SPECIAL EDITION, JULY 2023

Brought to you by Inceptia in partnership with nerdwallet

TABLE OF CONTENTS

Repayment is finally here!

After over three years on pause, federal student loan repayment is finally set to resume — are you ready?

It's hard to wrap your mind around adding such a significant monthly expense, whether you had been making payments pre-Covid, or you left school since 2020 and have yet to make any loan payments at all. And a lot has changed in the world of loan servicers and repayment options, with less than stellar communication to ensure you know what's happening.

So let us help.

We created this special edition of Great Advice for Repayment to address this pressing, current need to prepare for resuming student loan repayment. We wanted to give you a concise, yet thorough guide to what you can expect and how to prepare. With great information straight from the U.S. Department of Education, and our friends at NerdWallet, we collected the best advice to address the questions we hear borrowers ask most often, and put it all together for you in this guide.

Our best piece of advice? Become informed now. Take this time to learn about timelines, processes, servicers, and options. After all, knowledge is the best way to combat uncertainty and become an empowered student borrower. We hope Great Advice for Repayment helps you do just that.

Supreme Court Strikes Down Student Debt Cancellation. Now What?

BY ELIZA HAVERSTOCK

The Supreme Court has blocked President Joe Biden's student loan debt relief plan, saying his administration lacked authorization under the HEROES Act to forgive up to $20,000 in student debt per borrower.

Some 43 million borrowers won't see a cent of the debt cancellation promised by the White House last year. Under current guidance from the Education Department, borrowers must get ready to resume student loan payments starting in October on their full student loan balance.

The White House has not yet said it will pursue cancellation via another legal route, but activists are calling on Biden to pursue a plan B. Biden's official Twitter account called the ruling "unthinkable" and said he would have more to say later in the day. But a Plan B is far from guaranteed, and there is no timeline yet. Take steps to prepare for repayment now.

"Now that we have the decision, we can move forward," says Betsy Mayotte, president and founder of The Institute of Student Loan Advisors. "There are a lot of borrowers who have been in limbo waiting to see what was going to happen."

WHAT DID THE SUPREME COURT DECIDE?

The court ruled in two cases, and struck down the cancellation through the second case. All nine justices unanimously dismissed the first case, Department of Education v. Brown, because they found the plaintiffs had no standing to sue since they "fail to establish that any injury they suffer from not having their loans forgiven is fairly traceable to the Plan." The two plaintiffs — individuals who claim they weren't eligible for part or all of the relief — said they were harmed by not having the opportunity to participate in a notice-and-comment period for the program.

In the second case, Biden v. Nebraska, the court found that at least one plaintiff, the state of Missouri, had the right to sue. Six states sued jointly — Arkansas, Iowa, Kansas, Missouri, Nebraska and South Carolina — alleging the relief would harm tax revenue in those states in addition to the finances of certain state-based loan agencies.

(continued)

With standing established, a 6-3 majority of justices declared that Biden's student debt cancellation plan, enacted under the 2003 HEROES Act, was unconstitutional. Chief Justice John Roberts delivered the opinion of the court, joined by Justices Clarence Thomas, Samuel Alito, Brett Kavanaugh and Amy Coney Barrett.

"The Secretary asserts that the HEROES Act grants him the authority to cancel $430 billion of student loan principal. It does not," wrote Chief Justice John Roberts in the majority opinion. "We hold today that the Act allows the Secretary to 'waive or modify' existing statutory or regulatory provisions applicable to financial assistance programs under the Education Act, not to rewrite that statute from the ground up."

Justice Elena Kagan penned the dissent, joined by fellow liberal justices Sonia Sotomayor and Ketanji Brown Jackson.

> Federal student loans payments are set to resume soon. Interest will start accuring on September 1 and monthly payments starting in October .

HOW DID WE GET HERE AND WHAT'S NEXT?

President Joe Biden's student debt cancellation plan, first unveiled in August 2022, promised to erase up to $10,000 per individual borrower earning less than $125,000 annually or per married couple earning less than $250,000, and up to $20,000 for those who received a need-based Pell Grant while in college. The White House said that 90% of the relief would go to borrowers earning less than $75,000 per year.

Roughly 26 million borrowers applied or were automatically eligible for relief — and 16 million of them were approved by the Education Department and subsequently sent to loan servicers. The White House opened debt relief applications in October but closed them a month later as lawsuits swirled. The Supreme Court soon agreed to take on two of the lawsuits and held oral arguments for student debt cancellation on February 28.

If you were among the millions of borrowers counting on this relief, you still have options to lower your monthly payments and even get some of your debt forgiven. Here's what else borrowers need to know, and how to prepare for the impending end of forbearance.

WHAT SHOULD I DO NOW?

Get ready to make payments

Federal student loan payments are set to resume soon, with no possibility of further forbearance extensions. Interest will start accruing again on September 1, and borrowers will have to resume monthly payments on their full student loan balance starting in October.

"Take your time, get very organized, identify where your loans are, what your repayment expectations are, sit down and actually create your own budget or spending plan," says Stacey MacPhetres, senior director of education finance at education and child care company Bright

(continued)

Horizons. "And then take the time to figure out what you need to do."

If you set money aside during the payment pause, consider making a lump sum student loan payment toward your balance before September 1 to avoid racking up interest.

Find your servicer and set up payments

Check to see who your servicer is. Roughly 44% of borrowers now have a different federal student loan servicer than before the pandemic, according to the Consumer Financial Protection Bureau. You can identify your servicer by logging into your studentaid.gov account with your FSA ID or calling the Federal Student Aid Information Center at 800-433-3243.

Your servicer can help you do the following:

- Check that your contact information is up to date.
- Determine the amount you owe, the size of your monthly payments and when your first bill will be due.
- Set up auto-pay. If you had this set up before forbearance, you'll need to sign up again.
- Discuss student loan repayment plan options to potentially lower your monthly bills.

Expect long wait times when calling your servicer, cautions Scott Buchanan, executive director of the Student Loan Servicing Alliance. You may also be able to check some of this information on your servicer's self-service online portal to avoid the customer service bottleneck.

Ask about income-driven repayment plans

If you anticipate not being able to make your student loan payment, your servicer can set you up with different payment plans and relief options. Consider asking about income-driven repayment (IDR) plans, which cap monthly bills at a set percentage of your income and erase remaining student debt after you make payments for a set number of years. If you earn below a certain income threshold or have lost your job entirely, you could pay as little as $0 per month under an IDR plan.

And a new IDR plan is in the pipeline that could cut monthly payments in half for most borrowers with undergraduate loans, and fast-track some with lower balances to forgiveness.

"I don't know whether that plan will be ready to go in the fall," Mayotte says. "But I know that there is a strong desire by the administration to get that plan, whatever it looks like, up and running sooner rather than later."

If your student loans are in default

A temporary government program called Fresh Start could help if you had student loans in default before the payment pause. The program gives these borrowers the opportunity to re-enter repayment in good standing and access IDR plans and other relief.

(continued)

Though borrowers will have one year to enroll in the Fresh Start program once forbearance officially ends this fall, they should apply as soon as possible, advises Michele Shepard, senior director of college affordability at The Institute for College Access & Success. The application is already open. You can sign up for the Fresh Start program today by going to myeddebt.ed.gov and logging in to your account, or calling the Federal Student Aid Office at 1-800-621-3115.

What if I can't repay my student loans?

Contact your servicer before you miss a payment. Ask about your options to lower or temporarily suspend payments through student loan deferment or forbearance. Start with an IDR plan, which sets payments at a portion of your income and extends your repayment term. These options can help keep you out of student loan delinquency (when a payment is late by as little as one day) and default (when a payment is at least 270 days late).

Don't skip student loan payments. Defaulting on your loans can set off a devastating cascade of financial consequences, says Kristen Ahlenius, director of education at workplace financial wellness company Your Money Line. This can include credit score hits, seized paychecks and more.

Other ways to get help

Some nonprofit and legal organizations can offer student loan help as you navigate a return to payments. But be aware of scams, and avoid debt relief companies and anyone offering loan forgiveness. Only the government can forgive your student loans.

"It feels like there's a lot of fervor and panic right now," MacPhetres says. "But there's time, there's opportunity, lots of repayment options and the servicers are there to help."

The article Supreme Court Strikes Down Student Debt Cancellation. Now What? was originally published on NerdWallet on June 30, 2023.

ELIZA HAVERSTOCK is a writer at NerdWallet.

6 Ways to Prepare for Student Loan Repayment to Begin Again

INFORMATION FROM THE U.S. DEPARTMENT OF EDUCATION

Your monthly student loan payments will begin again once the COVID-19 emergency relief ends. Congress recently passed a law preventing further extensions of the payment pause. Student loan interest will resume starting on September 1, 2023, and payments will be due starting in October. We will notify borrowers well before payments restart. Here are six things you can do to prepare – and to make payments more affordable if need be.

1 Update your contact info.

Make sure your contact information is up to date in your profile on your loan servicer's website and in your StudentAid.gov profile. Wrong contact information could make you miss important updates.

2 Get info about your next payment.

Once the payment pause ends, your loan servicer(s) will send you a billing statement or other notice. This notice will include:

- payment due date
- upcoming interest
- payment amount

Your payment will be due no sooner than 21 days after your servicer sends the billing statement.

To find out your upcoming payment amount, log in to your loan servicer's website. If your servicer doesn't provide this info online, you can call or email your servicer.

If you don't know who your servicer is or how to contact them, follow these steps:

1. Visit your dashboard.
2. Find the "**My Aid**" section.
3. Select "**View loan servicer details**."

If you can't log in, call 1-800-4-FED-AID (1-800-433-3243) for loan servicer info.

(continued)

Loan Servicer	Contact
Edfinancial	edfinancial.com
MOHELA	mohela.com
Aidvantage	aidvantage.com
Nelnet	nelnet.com
OSLA Servicing	public.osla.org
ECSI	efpls.ed.gov
Debt Resolution Federal Student Aid	myeddebt.ed.gov

Enrolled in Auto-Debit?

If you plan to repay your student loans by auto-debit, check to make sure you are enrolled. Watch for news from your loan servicer before your payments start again.

3 Make sure you're on the best repayment plan for you.

Your situation may have changed during the COVID-19 emergency. Now is a great time to think about whether you're on the best repayment plan for you.

Changing your repayment plan may reduce how much you pay each month.

Use *Loan Simulator* to explore your repayment options. Find info and tips on how to use *Loan Simulator*.

Even if you change your repayment plan now, you can always change your plan again later.

(continued)

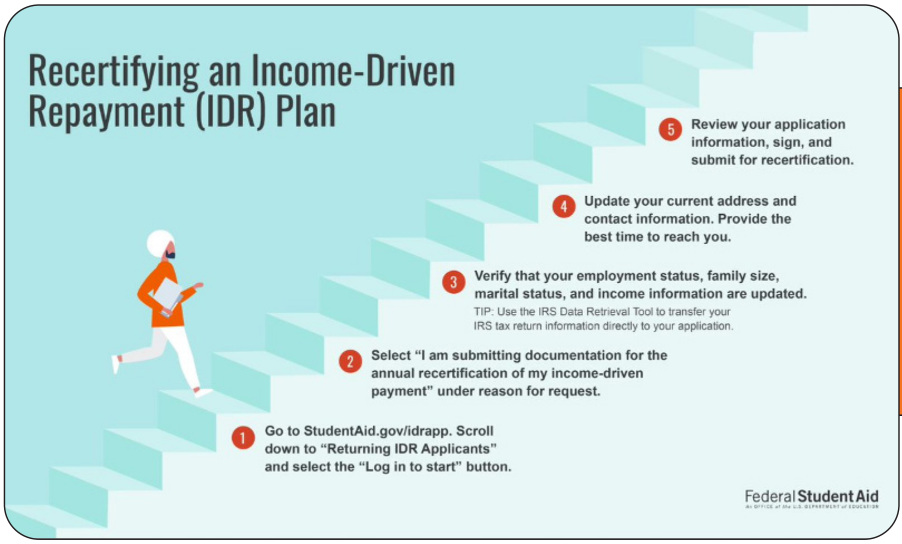
The U.S. Department of Education offers a variety of repayment plans. For example, an income-driven repayment (IDR) plan is based on how much money you make. Under an IDR plan, payments may be as low as $0 per month.

NEW: The SAVE Plan is replacing the REPAYE Plan. Learn more here https://studentaid.gov/announcements-events/save-plan

4 Take action if you want to lower your monthly payment.

After understanding all your repayment options, you may choose to apply for a specific plan. Or you can ask to be placed on the plan that results in the lowest monthly payment amount.

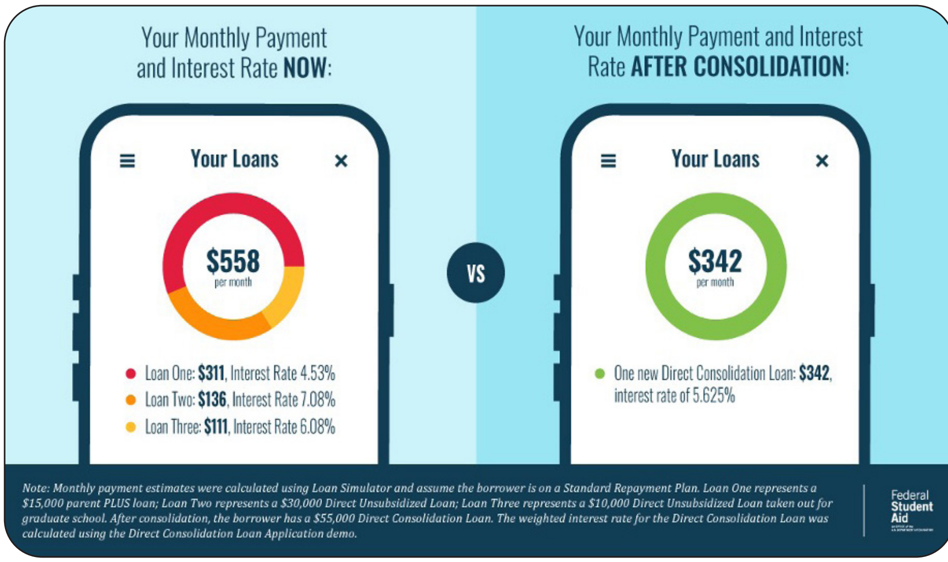
Are you already on an IDR plan, but your income changed recently? You can update (recertify) your info to see if you can get a new, lower payment amount. Recertify by following these steps.



Take steps to recertify your IDR plan.

(continued)

Consolidating your federal student loans may also lower your monthly payments. However, you should consider the pros and cons of consolidation to decide if consolidation is right for you.



Consolidation combines your loans and may result in a lower monthly payment.

5 As a last resort, contact your loan servicer to ask for short-term relief.

If you can't find a repayment plan that works for you right now, you can request to temporarily pause or lower your payments through short-term relief (deferment or forbearance). Before you make a request, use ***Loan Simulator*** to learn how this short-term relief affects your loans and loan payments. Then contact your loan servicer to request a deferment or forbearance.

Remember, a normal deferment or forbearance is different from the COVID-19 emergency payment pause. Interest can still accrue (add up) during deferment or forbearance. Deferment and forbearance also affect loan forgiveness options, such as Public Service Loan Forgiveness or IDR plan forgiveness.

6 Understand what happens if you don't repay your loan.

If you miss a payment, your loan becomes delinquent.

If your loan is delinquent for 90 days or more, your loan servicer will report the delinquency to the three major national credit bureaus. Delinquency will affect your credit score, making it harder to get credit.

(continued)

After 270 days, your delinquent loan goes into default. When you default on a loan, here's what happens:

- You can lose your access to more student aid.
- The default status will damage your credit score.
- The government can take
  - your tax refund,
  - part of your Social Security benefits, or
  - up to 15% of your paycheck.

As you can see, becoming delinquent or defaulting on your federal student loans can wreak havoc on your finances. Use the tips in this article and, most importantly, stay in contact with your student loan servicer to avoid falling behind on repayment.

Why You Might Struggle with Repayment & What to Do About It

BY ELIZA HAVERSTOCK

After more than three years on the back burner, monthly federal student loan payments will finally start being due in October — and 1 in 5 borrowers could struggle when that happens, according to a new analysis from the federal Consumer Financial Protection Bureau.

Many borrowers could also fall behind on other debt obligations when student loan payments resume. More than 1 in 13 student loan borrowers are currently behind on other bills, an increase from before the pandemic, per the June 7 CFPB report, which analyzed a sample of about 32 million borrowers with outstanding federal student loans.

The CFPB report also touched on risk factors, such as borrower age and the fact that millions of loans are being transferred to different servicers. If you think you'll struggle when repayment resumes, there are steps you can take now to put yourself in a better position.

YOUNGER BORROWERS FACE BUDGET CONCERNS

Borrowers who left school and exhausted their six-month payment grace period during forbearance will need to fit student loan payments into their budget for the first time. That could be a challenge, especially if they've rented a pricier apartment, financed a car or taken on other debt with the assumption that they could afford those monthly bills.

And many have done just that, the CFPB found. Today, younger borrowers (ages 18-29) face higher monthly bills than they did prior to forbearance. The typical younger student loan borrower now has median nonstudent loan, nonmortgage monthly debt payments north of $200, up from about $65 in March 2020.

SERVICER SWITCHES COMPLICATE REPAYMENT

To make matters even more confusing, the servicer that manages your student loan payments may have switched over the past three years. More than 14 million borrowers — 44% of the CFPB's sample — will have to work with at least one federal student loan servicer that's new to them since March 2020.

(continued)

As a result, these borrowers may need to find out who their new servicer is, in addition to creating new logins with their new servicer and signing up for automatic payments again.

WHAT TO DO IF YOU'LL STRUGGLE WHEN STUDENT LOANS RESUME

Although this report paints a bleak picture of what's to come in a few months, student loan borrowers still have time to get ahead of payments and make a plan. Making a plan will be crucial, since the consequences of not paying your bills when they resume can be severe: It could lead to student loan default, a damaged credit score and seized paychecks.

Here are a few steps you can take today to set yourself up for success and avoid missing payments.

If your income fell, or you're already struggling with other bills

An income-driven repayment (IDR) plan can cap your monthly student loan bills at a set percentage of your income and erase remaining student debt after you make payments for a set number of years. You could owe as little as $0 per month.

To sign up, contact your student loan servicer. You can submit paperwork now so that you're set to go into an IDR plan when payments resume.

If your servicer has switched

Your federal student loan servicer landscape may have changed over the past few years. You're supposed to get a letter or email from both your old and new servicer if this happens, but you may have missed a notification if you moved, for example.

If you're not sure who your servicer is, log in to My Federal Student Aid using your FSA ID to find out. There, you can see your current servicer, view loan details, apply for a direct consolidation loan or sign up for an IDR plan.

Unsure who your federal student loan servicer is? Log in to My Federal Student Aid

If you're preparing to pay student loan bills for the first time

If it's your first time paying student loans, you may need to log in to your FSA account to figure out who your servicer is and how much you owe. Your servicer will be able to tell you how much your monthly payment could be under various repayment plans.

(continued)

And if you have other major monthly bills beyond student loans, now's the time to take a good look at your spending habits and budget. This could mean reevaluating your current lifestyle.

If you already have student loans in default

If you had student loans in default before forbearance began, you should enroll in a temporary government program called Fresh Start, which allows you to get your student loans back in good standing, build your credit score and sign up for an IDR plan.

This article **Student Loan Borrowers Will Struggle With Repayment, CFPB Warns** was originally published on NerdWallet on June 8, 2023.

ELIZA HAVERSTOCK is a writer at NerdWallet.

Forgiveness, Forbearance and Other Student Loan Changes to Know

BY ELIZA HAVERSTOCK

Politics and a pandemic have shoved stodgy student loans into the spotlight. Since 2020, borrowers have encountered an onslaught of changes to the federal student loan landscape, including more than three years of paused payments, an upcoming repayment plan overhaul and potential debt cancellation.

Backtracked announcements and timeline changes have made it difficult for borrowers to keep up with where things stand. Here's what you need to know and how to prepare for what comes next.

PAYMENTS RESUME OCTOBER 2023

Congress has now required that interest will start accruing again on federal student loans on September 1, and student loan payments will resume in October after more than three years of an interest-free federal payment pause, known as forbearance.

There's no chance of further payment pause extensions, due to a provision in the debt ceiling deal passed by Congress on June 2.

Forbearance started in March 2020, as the pandemic began sweeping the U.S.

What you can do about it: Borrowers should still prepare for repayment to resume in October. Reach out to your student loan servicer if you're not sure what to expect.

OTHER LOAN FORGIVENESS PATHWAYS EXPANDED

The U.S. Department of Education has proposed a few recent changes to income-driven repayment, or IDR, plans, which cap monthly federal student loan bills at a set percentage of your income and erase remaining student debt after borrowers make payments for a set number of years.

(continued)

IDR ACCOUNT ADJUSTMENT, OR WAIVER

In April 2022, the Education Department announced an IDR and Public Service Loan Forgiveness, or PSLF, one-time account adjustment — also called the IDR waiver — that will move millions of borrowers closer to the student loan forgiveness finish line.

About 40,000 borrowers with older loans were to see balances wiped clean starting this spring, the Department of Education estimated, and more than 3.6 million borrowers are expected to receive at least three years of additional credit toward forgiveness under an IDR plan or PSLF when their accounts are updated in 2024. If you've been in repayment for at least 20 or 25 years (including forbearance time), you'll be free of student debt after the adjustment. If you qualify for PSLF, you'll be debt-free if 10 years have passed.

What you can do about it: The recount is largely automatic — but if you have commercially held Federal Family Education Loan (FFEL) Program, Perkins or Health Education Assistance Loan (HEAL) Program loans, you must apply to consolidate them at StudentAid.gov by the end of 2023 to get the full benefits. Get started soon because the consolidation process can take time.

Even if you weren't enrolled in an IDR plan before the pandemic payment pause, you'll still see the adjustment applied to your account. But if you have a balance remaining after the adjustment, you will need to sign up for an IDR plan once payments resume to keep building credit toward loan forgiveness. Borrowers can call their servicers and submit paperwork today so they'll be all set to go into an IDR plan as soon as forbearance ends, Buchanan says.

A NEW IDR PLAN

A major revision to an IDR plan called REPAYE would halve monthly payments for many borrowers with undergraduate loans and help some reach loan forgiveness more quickly. Students who originally borrowed less than $12,000 would see their remaining balances wiped away after 10 years of payments, instead of the 20 or 25 years under existing IDR plans.

The Education Department unveiled new details about the plan in January, but it's not yet available to borrowers. Nor is it set in stone.
The department aims to finalize and start rolling out the plan by the end of 2023.

What you can do about it: Once the revised IDR is finalized, you can call your servicer to ask about signing up for it. Don't count on it being available by the time federal student loan payments resume.

STUDENT LOAN SERVICER SWITCHES

The company that manages your student loans could change in the next couple of years. In April, the Education Department signed contracts with five federal student loan servicers. The new contracts are slated to go live sometime in 2024, but legacy contracts will last through December 2024 to smooth the servicer transition. Effects may be limited: Only one new servicer is entering the arena, and one — OSLA — is leaving.

Eventually, the overhaul will also include the launch of a central servicer portal at StudentAid.gov. The portal is intended to lead to more customer service accountability and prevent borrowers from having to navigate servicer-specific websites.

(continued)

What you can do about it: Make sure your contact information is up to date with your current servicer, and download a copy of your payment history. You don't need to do anything else at this point. "From an everyday experience perspective, I don't know that it's going to be a whole lot different than it is today," Buchanan says of the new contract landscape.

If the Department of Education transfers your loans to another servicer, your current servicer and your new one will notify you by mail, email or phone. From that point on, you'll make monthly payments with the new servicer, and you may need to set up any auto-pay or biweekly payments again. Most servicers deliver the same options, but customer service may differ among them.

> IDR plan REPAYE revision could mean lower payments and earlier loan forgiveness for some borrowers.

OTHER KEY STUDENT LOAN CHANGES UNDERWAY

- **"Fresh Start" program for delinquent or defaulted loans.** People with past-due federal student loans now have a second chance to get them back into good standing, thanks to the government's temporary "Fresh Start" program. It includes a bevy of benefits, like restored access to IDR plans. Eligible borrowers will need to sign up for Fresh Start within one year of forbearance ending to enjoy its full relief. You can sign up on myeddebt.ed.gov or by calling the Education Department at 800-621-3115.
- **Bankruptcy guidance.** The departments of Education and Justice jointly released updated bankruptcy guidance in November 2022, meant to standardize the requirements for borrowers to discharge their federal student loans in bankruptcy. Local bankruptcy judges will still make final calls case by case. Contact a bankruptcy attorney to see whether this is a good option for you.
- **Breaking up consolidated spousal loans.** In October 2022, Congress passed the Joint Consolidation Loan Separation Act, which will allow borrowers who previously consolidated their student loans with a spouse — through a program that ran from 1993 until 2006 — to separate them and access debt relief programs, like Public Service Loan Forgiveness. However, lawmakers have not yet said when they'll roll out the program for eligible borrowers to apply for the loan separation.

The article **Forgiveness, Forbearance and Other Student Loan Changes to Know** was originally published on NerdWallet on May 19, 2023.

ELIZA HAVERSTOCK is a writer at NerdWallet.

(continued)

Is It Time to Refinance to a Variable-Rate Student Loan?

BY TREA BRANCH

Soaring inflation and interest rates are likely taking a chunk out of your budget. So it's only natural to look for ways to save money, especially on student loans.

"With interest rates rising and other pressures on household budgets from inflation, it's a good time to reassess whether your current student loan terms are the best financial fit for you," said Angela Colatriano, chief marketing officer of College Ave Student Loans, in an email interview.

Refinancing your student loans — trading in your current loans for a new one, ideally with a lower interest rate — can lower your monthly payment or total overall payment.

But the interest rate and monthly payment on a variable-rate loan can change, compared to a fixed-rate loan where interest rates are locked in for the life of the loan. This makes variable-rate loans riskier, especially if your budget is already tight.

WHEN DOES IT MAKE SENSE TO REFINANCE TO A VARIABLE-RATE STUDENT LOAN?

Because the interest rate on variable-rate loans can change, it's best to refinance when rates fall.

Private student loans are ideal for a variable-rate refinance because lenders offer them based on criteria like your credit score, income, and current debt load. These are characteristics you likely were still developing if you took the loans out while in school, according to Kristen Ahlenius, an accredited financial counselor and director of education at Your Money Line, a workplace financial wellness platform. Refinancing now could land you better rates if you earn more or your credit has improved since leaving school.

A variable-rate student loan can also be an attractive option for high earners or those looking to pay down their student loans aggressively, mentions Ahlenius. You could save big if you snag a lower interest rate and pay off your student debt fast.

If you choose to refinance to a variable-rate loan, you can do a few things to make it work in your favor:

- Contact your lender to understand how often your interest rate can change and how high your rate can rise, also known as the variable-rate cap.

(continued)

- Have a plan for your budget, like what expenses you can cut in case interest rates rise — affecting your monthly payment.
- Consider refinancing in the future as rates or your financial situation change.

WHEN TO AVOID REFINANCING TO A VARIABLE-RATE LOAN

Sometimes even the lowest interest rate may not be worth the uncertainty of a variable-rate student loan. Here are a few situations where you may want to avoid refinancing for a variable rate.

If you have federal student loans: Federal student loans, which are loans owned by the Department of Education, come with borrower protections you'd lose if you refinance — like the interest-free payment pause, income-driven repayment plan and relief programs such as Public Service Loan Forgiveness.

"I find it really hard to argue for a refinance if you are in the federal space," says Ahlenius. "Ninety-nine out of 100 times, do not leave the protections of the federal government."

If you have a tight budget: Budgets with a little wiggle room or a cash cushion can stay afloat if your monthly payment rises with interest rates under a variable-rate loan. But if your current expenses take up most of your monthly income, you may want to avoid a variable interest rate.

Brian Walsh, a certified financial planner and senior manager of financial planning at SoFi, describes how a low-interest, variable-rate loan may make sense financially, but for someone living paycheck to paycheck, what's likely more helpful is the security and consistency of a fixed-rate loan.

If you need a longer repayment term: Shorter repayment terms allow less time for interest rates to rise, compared with paying your loan off over 10, 15 or 20 years. Longer repayment periods could use the security and predictability of a fixed-rate loan, according to Walsh.

Fixed rates will usually be the safer option, even if you anticipate rates falling soon.

"After interest rates rise a lot, it's natural to think it may be a good time to choose a variable rate," says Eric Figueroa, a certified financial planner and founding wealth manager of Hesperian Wealth. "But no one can really predict the path of interest rates. What if they keep going up over the life of your variable-rate loan? Think of the consequences seriously."

The article Is It Time to Refinance to a Variable-Rate Student Loan? was published on NerdWallet on December 15, 2022.

TREA BRANCH is a writer at NerdWallet.

Student Loan Repayment Checklist

INFORMATION FROM THE U.S. DEPARTMENT OF EDUCATION

Be an informed borrower by learning about your loans and what to do for a smooth repayment experience. As you work through this checklist, you'll find out how to make payments and figure out which repayment plan is best for you; and you'll know what to do if you're having trouble making payments or think you might be eligible for loan forgiveness.

Remember: *You never have to pay for help with your student loans!*

BEFORE YOU GRADUATE OR LEAVE SCHOOL

Review your federal loan history. Get your loan history by logging in to "My Federal Student Aid"— you'll need to create an FSA ID if you don't already have one. As you review your information, note the following:

- The current loan balance and interest rate for each loan.
- The loan type (depending on when you went to school and what loan programs your school participated in, you may have loans from different federal student loan programs; the types of loans you received can affect what benefits are available to you).
- The name of the loan servicer for each loan (a loan servicer is a company that handles the billing and other services on your loans; generally, you'll have one servicer for all your federal student loans, but there is a chance you could have more than one).

Get to know your loan servicer. Your servicer helps you with your student loans — for FREE! It's important that you know who your loan servicer is and how to contact them because you will eventually be making your loan payments to your servicer. Take this opportunity to save your servicer's phone number in your phone.

Create an online account on your servicer's website. You can find the most detailed and up-to-date information about your loans, make your payments, and manage your loans (for example, change repayment plans or apply for a deferment) on your loan servicer's website. When you create your account, be sure your contact information is correct.

(continued)

Complete mandatory exit counseling. All federal student loan borrowers must complete exit counseling. Exit counseling provides important information you need to help you prepare for repayment of your loans. Check with your school to find out how they want you to complete exit counseling. Schools have different requirements.

If you can afford it, make loan payments while you're in school, especially if your loans are accruing interest. Making payments early can reduce the interest you pay and the cost of your loan over time.

AFTER YOU GRADUATE OR LEAVE SCHOOL

Know when you have to start making payments. For most loans, you'll have six months — or nine months for Federal Perkins Loans — after you graduate, leave school, or drop below half-time enrollment before you must begin making your loan payments. Take this time to make a plan for repayment.

Create a budget. Create a budget to determine how much you can realistically afford to pay monthly toward your student loans. Get help creating a budget.

Consider loan consolidation. A Direct Consolidation Loan allows you to combine all of your federal student loans into one loan with one monthly payment. Loan consolidation can be helpful if you have multiple servicers, loans from the Federal Family Education Loan (FFEL) Program, or Federal Perkins Loans. Loan consolidation can increase your chances of qualifying for an affordable repayment plan and loan forgiveness options, but it may not be the best option for you. Learn more about loan consolidation.

Set a goal for repayment. After you know how much you can afford to pay each month, set a goal for repaying your loans. To begin setting your goal, ask and answer this question: "Do I want to repay my loans quickly, or do I want to pay as little as possible per month?" You can't choose both options. Any time you lower your payment, you'll be in repayment for a longer time and you'll pay more interest on your loans.

If your financial situation changes, you can change your repayment plan at any time. If you have questions about your loan repayment options or the process, contact your loan servicer.

Select an affordable repayment plan. Now that you've set a goal for repayment, you can find a repayment plan that fits your goal using Loan Simulator.

- If you want to pay your loans off quickly and you can afford to do it, select the Standard Repayment Plan. Unless you consolidate, your loans will be paid off after 10 years of payments.
- If you want to have the lowest monthly payment or can't afford to make payments under the Standard Repayment Plan, select an income-driven repayment (IDR) plan. Under an IDR plan, payments are based on your income and family size. You will usually have lower monthly payments than other plans and may have payments as low as $0 per month.

(continued)

With these plans, you'll be in repayment for up to 20 or 25 years. If your loans are not repaid in full after 20 or 25 years, the remaining balance will be forgiven. Learn more about income-driven repayment plans.

If you don't select a specific repayment plan, your loan will be put on the Standard Repayment Plan. You can switch to a different plan at any time by contacting your loan servicer.

KNOW WHETHER YOU ARE ELIGIBLE FOR LOAN FORGIVENESS BASED ON YOUR EMPLOYER OR YOUR JOB.

- Public Service Loan Forgiveness (PSLF) Program: You may qualify for this loan forgiveness program if you are employed by a government or a not-for-profit organization. You must make 120 qualifying payments under an income-driven plan to qualify. Learn more about PSLF.

- Teacher Loan Forgiveness Program: You may qualify for this program if you (a) teach full-time for five complete and consecutive academic years in certain elementary and secondary schools and educational service agencies that serve low-income families, and (b) meet other qualifications. Get the details of the Teacher Loan Forgiveness (TLF) Program.

Find out more about forgiveness, cancellation, and discharge.

Teachers! You may qualify for both forgiveness programs (PSLF and TLF) — but not for the same time period.

With IDR, If your loans are not repaid in full after 20 or 25 years, the remaining balance will be forgiven. Learn more about income-driven repayment plans.

WHEN IT'S TIME TO START MAKING PAYMENTS

Make on-time payments to your loan servicer. Your loan servicer will provide you with a loan repayment schedule that tells you when your first payment is due, the number and frequency of payments, and the amount of each payment. Contact your loan servicer if you haven't received this information.

Make repayment simple and save on interest — enroll in automatic debit. Once you enroll, your payments will be automatically taken from your bank account each month. This will help you to stay on track with your payments, and as an added bonus, you may get a 0.25% interest rate deduction if you have Direct Loans. Check your servicer's website for details.

Know your options if you can't make your loan payment. If you don't pay the full amount due on time or if you start missing payments — even one — your loan will be considered delinquent, and late fees may be charged to you. If you can't make your payments, contact your loan servicer immediately for help. Your servicer can offer you temporary or long-term options, such as changing repayment plans, deferment, forbearance, or loan consolidation. Get details about what to do if you are having trouble making your payments.

Reduce your federal income taxes. You may be eligible to deduct a portion of the student loan interest you paid on your federal tax return. Student loan interest payments are reported both to the IRS and to you on IRS Form 1098-E, Student Loan Interest Statement. Check with the IRS or a tax advisor to see if you qualify for this deduction.

For a comprehensive guide to Federal Student Loan Repayment, complete online Exit Counseling, utilize the Loan Simulator, or download the Repaying Your Loans guide.

TACKLING STUDENT LOAN REPAYMENT DOESN'T HAVE TO BE HARD!

Inceptia knows that student loan repayment can be confusing if you don't know where to find the information you need. That's why we want to help student borrowers proactively get a handle on student loan repayment — before it even begins!

With Inceptia's money mascot — **the Knowl** — as a trusty guide, graduates can use our Student Knowledge Headquarters to find answers, calculators, resource guides and more to prepare for and successfully enter into repayment.

Getting started is easy. Head to HeroKnowl.org to explore our free tools and information.

Inceptia

HeroKnowl.org

For more great articles and tips from NerdWallet, including articles, calculators and other resources for student loan repayment, be sure to check out their student loans homepage.

nerdwallet

About NerdWallet

NerdWallet (Nasdaq: NRDS) is on a mission to provide clarity for all of life's financial decisions. As a personal finance website and app, NerdWallet provides consumers with trustworthy and knowledgeable financial information so they can make smart money moves. From finding the best credit card to buying a house, NerdWallet is there to help consumers make financial decisions with confidence. Consumers have free access to our expert content and comparison shopping marketplaces, plus a data-driven app, which helps them stay on top of their finances and save time and money, giving them the freedom to do more. NerdWallet is available for consumers in the U.S., UK, Canada and Australia.

About Inceptia

Inceptia, a nonprofit organization, provides innovation and leadership in higher education access and success through engaging and empowering students and streamlining processes. For more than 35 years, Inceptia and NSLP have helped millions of students achieve their higher education dreams at schools nationwide. Our mission is to support schools in illuminating a path towards educational and financial success for students and families, allowing them to pursue their dreams of reaching their full potential. Our solutions are designed to support student success by helping financial aid administrators maximize resources, so they can spend more time delivering meaningful learning experiences across the student lifecycle that fosters education and personal development. Learn more at Inceptia.org.

Inceptia

Talk to Us

inceptia.org 888.529.2028 @MoneyKnowl @inceptia /MoneyKnowl