

# 5 THINGS TO DO BEFORE MAKING YOUR FIRST STUDENT LOAN PAYMENT

Almost time to start paying back your student loans? Contrary to popular belief, your student loan payments don't have to stop you from living your life. You just have to weigh your options and find a strategy that works within your budget. Here are some steps to get you started.

## 1. COMPARE MONTHLY PAYMENT AMOUNTS

If you don't think you can afford that amount or you want a lower monthly payment, consider switching to an income-driven repayment plan, where your monthly payment could be as low as \$0 per month. Just know that when you make payments based on your income your monthly payment amount may be lower, but you will likely pay more in total over a longer period of time. The amount you pay each month toward your student loans will depend on the repayment plan you choose. If you take no action, you will be automatically enrolled in the 10-year Standard Repayment Plan.

Use the [Loan Simulator](#) to compare your different repayment options.

## 2. DECIDE WHETHER TO CONSOLIDATE

If you borrowed federal student loans before 2011, you may need to consolidate any FFEL loans into the Direct Loan program before you can qualify for the better income-driven repayment plans or Public Service Loan Forgiveness. You may also want to consolidate if you have multiple loans and/or servicers and want a single monthly payment. The application takes about 10 minutes.

## SHOULD YOU CONSOLIDATE YOUR FEDERAL STUDENT LOANS?

### PROS

- It's free to apply.
- You'll have one simplified monthly payment.
- It could lower your monthly payment by extending your repayment period.
- It could allow you to qualify for Public Service Loan Forgiveness (PSLF) and more generous income-driven repayment plans.

### CONS

- Your repayment period may be extended, resulting in more interest you would pay.
- You could lose some borrower benefits like interest rate discounts, cancellation benefits, etc.
- You lose credit for any payments made toward income-driven repayment plan forgiveness or PSLF.

### 3. CHOOSE AN AFFORDABLE REPAYMENT PLAN

If you decide to consolidate, you will choose a repayment plan from within the [consolidation application](#).

If you aren't going to consolidate and you'd like to enroll in one of the income-driven repayment plans, learn how to [choose the right income-driven repayment plan](#) and [apply here](#). The application takes about 10 minutes.

If you're interested in the [Public Service Loan Forgiveness Program](#), you should apply for an income-driven repayment plan and submit an [Employment Certification Form](#).

See two examples of how switching to an income-driven repayment plan could impact you:

## MONTHLY PAYMENT DECREASE = \$75



### ROB

**AGI (SALARY): \$38,000**  
**LOAN BALANCE: \$25,000**  
**INTEREST RATE: 5% on a**  
**Direct Subsidized Loan**

PAYMENT PLAN	STANDARD	INCOME-CONTINGENT
TOTAL AMOUNT PAID	\$31,820	\$35,483
REPAYMENT PERIOD	120 MONTHS	173 MONTHS
FIRST MONTHLY PAYMENT	\$265	\$190
LAST MONTHLY PAYMENT	\$265	\$225
MONTHLY PAYMENT DECREASE	\$0	\$75

*Values assume the borrower has no dependents, is unmarried, and lives in Alabama*

Rob switches to an income-driven plan to reduce his upcoming monthly loan payments. As his career advances, he'll switch back to a standard plan when he can pay more.

## TOTAL ESTIMATED SAVINGS = \$3,166



### MIRANDA

**AGI (SALARY): \$58,000**  
**LOAN BALANCE: \$18,000**  
**INTEREST RATE: 6% on a**  
**Direct Subsidized Loan**

PAYMENT PLAN	STANDARD	REPAYE
TOTAL AMOUNT PAID	\$23,980	\$20,483
REPAYMENT PERIOD	120 MONTHS	56 MONTHS
FIRST MONTHLY PAYMENT	\$200	\$332
LAST MONTHLY PAYMENT	\$200	\$421
MONTHLY PAYMENT DECREASE	\$0	\$3,166

*Values assume the borrower has no dependents, is unmarried, and lives in Alabama*

Miranda wants to pay off her student loans ASAP. She switches to a repayment plan with larger monthly payments so she can reduce overall interest accrual.

## 4. SET UP YOUR PAYMENTS

You will never pay the U.S. Department of Education directly. In most cases, federal student loan borrowers will make payments to one of our loan servicers. Loan servicers work on behalf of the U.S. Department of Education to collect your payments and provide customer service. If you don't know who your loan servicer is, [find out here](#).

Your loan servicer will contact to let you know when your first payment is due and how to make a payment, so it's very important that you provide your servicer with updated contact information.

**TIP:** To simplify the repayment process, consider enrolling in auto debit and your payments will be automatically taken from your bank account each month. Ask your servicer how to enroll.

## 5. KNOW WHO TO CONTACT IF YOU NEED HELP WITH YOUR STUDENT LOANS

Beware of student loan scams. You never have to pay for help with your student loans. As you're researching repayment and forgiveness options, make sure you're getting information from trusted sources, like .gov websites or your servicer's website. The government and your servicer will never charge application or maintenance fees, so if you're asked to pay, walk away.

If you have questions or need help, [contact your servicer](#).

**TIP:** Save your servicer's contact information in your phone so you can access it when you need to.

**DYK?**

**YOU GET A  
0.25%**

**INTEREST RATE DEDUCTION WHEN  
YOU ENROLL IN AUTOMATIC DEBIT  
THROUGH YOUR LOAN SERVICER.**