

Let's Talk Finances

Student Loan Repayment Season



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It's fall, which means pumpkin spice everything is hitting the shelves, Halloween is right around the corner, and recent college graduates will begin repaying their loans soon. This can be a stressful, confusing time period, so here are a few tips to help grads prepare:

Organize your loan information

The first thing to do, and as quickly as possible, is to organize all of the information you have for all of your student loans. Make a list or spreadsheet that organizes important information, including: name of the loan, the lender, interest rate, total principal (amount due), monthly payment, and when repayment is scheduled to begin. Different loans may have different grace periods (the amount of time after graduation you can wait before making your first payment), so the first payment may be due at different times for different loans.

Stay in touch with your lender

Many recent graduates relocate. Make sure that your lenders know how to reach you! Updating your contact information is often as simple as visiting the lender's website and filling out a form. It's also a good idea to stay in touch in case you start having difficulty making your payments. This can happen due to unemployment, injury or medical condition, or other financial emergency. Lenders will work with you to adjust your payments or schedule, but you have to let them know, first.

Consider consolidating

A consolidation loan combines multiple loans into one for a single monthly payment and one fixed interest rate. There are several pros and cons to consider, however. Consolidating often extends the repayment period, meaning while you will have a lower monthly payment, it will take you longer to completely pay off the loan. However, it can also provide an interest rate break (especially if you have any variable rate loans) and the single payment is more convenient and simpler to budget. One important consolidation tip to remember: Never consolidate federal loans into a private student loan, or you'll lose all the repayment options and borrower benefits that come with federal loans (like unemployment deferments and loan forgiveness programs)!

Don't forget tax breaks

Many recent college grads just beginning their student loan repayment have never filed taxes before, either. Avoid simply taking the standard deduction and assuming that's the best for you. You might be missing out on the Student Loan Interest Deduction, which allows taxpayers to deduct up to \$2,500 of the interest paid on student loans (depending on your income). The best part is, even if you do not itemize your taxes, you're still allowed to claim this deduction. How? Just watch for your 1040 form(s) to arrive - you'll receive one per lender - and follow the instruction on them. If you're using a product like Turbo Tax you'll still need the information on the form.

If you are struggling to make payments or aren't sure your strategy is the best way for you to repay your student loans, seek the advice of a financial aid counselor at your alma mater or talk to your lender. Another good resource is StudentAid.ed.gov, which has tools like repayment estimators and information on various repayment plans available for federal student loans.