

10 Student Loan Tips for Recent Graduates

10 Tips for Student Loan Borrowers



Here are 10 tips that can save you some headaches and money, regardless of whether you just finished school or are already paying on student loans.

1. Get to know your loans.

Do you have federal or private student loans? Perkins or Stafford loans? What are your interest rates? It's important that you keep track of the loan type, lender, balance, and repayment status for each of your student loans. These details determine your options for loan repayment. If you're not sure what kind of loans you have, you can visit the National Loan Data System at www.nslds.ed.gov to see federal loans. If you don't see a loan on this site, it's probably a private loan. You can always contact your school if you are having trouble finding loan records.

2. Verify when payments are due.

Different loans have different grace periods. A grace period is how long you can wait after leaving school before you have to make your first payment. It's six months for federal Stafford loans, but nine months for federal Perkins loans. For federal PLUS loans, it depends on when they were issued. The grace periods for private student loans vary, so consult your paperwork or contact your lender to find out. Don't miss your first payment! In fact, you can begin paying your loans early if you want to get a head start and start reducing your balance before the interest kicks in.

3. Put yourself on a budget.

It's critical that you live within your means by prioritizing expenses and spending only what you can truly afford. This is easier said than done and requires a disciplined approach. Begin by documenting your monthly income and living expenses. Make sure you have enough income to cover your "needs" — shelter, utilities, transportation, food, student loans — before spending money on "wants" — entertainment, vacations, and other fun stuff. That doesn't mean you can't have any fun. It just means that you must be smart about your spending and budget accordingly.

4. Consider setting up automatic payments.

Missing payments can quickly get you into financial trouble. According to Fastweb, 25 to 33 percent of borrowers are late or delinquent with their first loan payment. That incurs additional fees and damages your

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credit score. Pay on time all the time. Setting up payments automatically through your bank account will dramatically reduce the chances of missing a payment deadline.

5. Don't increase payment period if possible.

Interest charges can add up very quickly. That \$20,000 you borrowed can actually cost you \$50,000 if you're not careful. If possible, pay off your loans within the standard 10-year period. Repayment programs that defer or lower payments will delay or reduce your monthly payment, but you will pay over a longer period of time and your balance will be larger.

6. Pay off loans with the highest interest rates first.

You won't get penalized for paying off a student loan early. Consider using extra cash to pay down loans with the highest interest rates first. This strategy can save you hundreds or thousands of dollars in interest.

7. Explore your repayment options.

If you are having trouble making loan payments, make sure you understand your repayment options. Deferment and forbearance pause payments temporarily, but interest continues to accrue and the loan balance continues to grow. Several repayment programs are available for federal loans. Programs for private loans can vary by lender. Loan consolidation is an option, but be sure it's the right option because you can only consolidate one time. And never consolidate federal loans into a private loan. If you would like assistance in understanding your loan repayment options, contact GreenPath to discuss your [Student Loan Counseling options](#) at 877-438-6887.

8. Communicate with your lender.

If you foresee problems making a loan payment on time, it's important to communicate proactively with your lender or servicer. Be up front about issues that you encounter, and your lender should help you reach a solution and avoid defaulting on your loan. Part of the lender's role is to help you establish a plan to pay off your loan. That means you should be working with —not against— your lender.

9. Open and read all of your mail.

Pay close attention to every piece of mail you receive about your loans, both paper and electronic. Don't ignore phone calls or letters from your loan servicer or a collection agency. If you have a problem, it won't go away on its own. And student loans are not dischargeable in bankruptcy, so it's better to deal with a problem right away.

10. Take advantage of tax deductions.

Depending on your income, you may be able to deduct up to \$2,500 on the interest you pay on your student loan each year. This deduction will help reduce your annual taxable income, possibly resulting in a smaller tax bill.