

Understanding Federal Student Loan Repayment

The 5 Questions New Graduates Often Ask



Upon receiving a college diploma, you feel a mix of excitement, pride, and optimism for the future. However, the less thrilling part of graduating is receiving emails from your federal student loan provider reminding you it's time to start repaying your loans.

With terms like grace periods, repayment plans, deferment, forbearance, and recent changes to loan forgiveness requirements, it can be overwhelming. Here is some help to answer some common questions that recent graduates have asked, such as how to identify your loan servicer, when repayment begins, the different repayment plans available, and the consequences of missing payments.

Figuring Out Student Loans

01 | I don't know who my student loan servicer is. How do I find out?

The U.S. Department of Education has contracts with several student loan servicers. Your loans are automatically assigned to a loan servicer after your loan amount is first paid out, typically right before the start of your first semester of freshman year¹. There are seven servicers that manage student loan accounts:

- Aidvantage
- CRI
- Default Resolution Group
- Edfinancial
- ECSI
- MOHELA
- Nelnet

To find out which loan servicer is managing your Federal Student Aid account, log in to your My Federal Student Aid account (the website where you applied for FAFSA) and click on "My Loan Servicers". Alternatively, you can contact the Federal Student Aid Information Center (FSAIC) by phone, email, or live chat for assistance.

Please note that you also will need to create a separate account on the loan servicer's website to make payments.

02 | I just graduated. When do I need to start repaying my loans?

After you graduate or drop below half-time enrollment, you have a six-month grace period² before you are required to start repaying your student loans. If you decide to go to graduate school, you will be automatically placed in deferment and will not be required to make payments until six months after you graduate, leave school, or drop below half-time enrollment. It's important to note that for most loans during this six-month grace period, interest will still accrue, so if you are in a financial position to make payments during this time, it may be wise to do so.

03 | I can't pay off my balance in full. What are my repayment plan options?

The Department of Education offers several federal student loan repayment plans for borrowers. There are two main repayment plan types, fixed payment, and income-driven plans. Each has its own subsets.

The fixed payment repayment plans include the Standard Repayment Plan, the Graduated Repayment Plan, and the Extended Repayment Plan. These three plans set your monthly repayment amount by calculating, how much you owe, your interest rate, and a fixed repayment period. Borrowers are automatically enrolled in the Standard Repayment Plan unless they select a different plan with their servicer.

The Income-Driven Repayment Plan bases your monthly payment on how much money you make and your family size. There are four IDR plans borrowers can choose from, the Saving on a Valuable Education (SAVE) Plan, Pay As You Earn (PAYE) Repayment Plan, Income-Based Repayment (IBR) Plan, and Income-Contingent Repayment (ICR) Plan. Because these plans are based on income and household size, you must provide updated information on your income and family size each year so your servicer can recalculate your required payment amount.

To learn more about these repayment plans, visit the [repayment plan page on studentaid.gov](#). You can also use the [Loan Simulator](#) tool to compare plans, determine eligibility, and estimate how much you would pay monthly and overall.

04 | I'm struggling to find a job. What happens if I can't get a job in time to repay my loans?

When you are unable to make payments, you may qualify for deferment or forbearance. While this doesn't eliminate your loans, it may be a good temporary option when your financial situation isn't ideal. Deferment and forbearance are similar in the sense that your student payments are postponed, but there is a difference when it comes to interest.

When you defer on certain types of loans, interest will not accrue. However, in forbearance, interest will accrue on all loan types.





05 | I've been hearing a lot about student loan forgiveness. What is it and how do I qualify?

The Biden Administration and the Department of Education³ have recently made several changes to the student loan forgiveness plans to make them more manageable for individuals who are in public service, have a disability, or have an IDR plan. Federal student loan forgiveness enables borrowers who have some or all of their loans eliminated.

The people who can qualify for Public Service Student Loan Forgiveness must be employed full-time by a U.S. federal, state, local, or tribal government or qualifying not-for-profit organization. This includes teachers, those who served in the military, and medical professionals.

They also must have loans that they have made a total of 120 qualifying monthly payments and have been in public service for at least 10 years.

Those who have the SAVE income-based repayment plan, originally took out \$12,000 or less, and have been in repayment for at least 10 years are eligible to have the remainder of their debt canceled.

Paying your student loans for the first time can generate confusion with all of the information that is available on your student loan portal. We hope that with this guide, you are equipped with the right knowledge to tackle your student debt.

Please reach out if you'd like to review your student loan responsibilities with one of our professionals.



FOOTNOTES

¹ Who's my student loan servicer? | Federal Student Aid. (n.d.). <https://studentaid.gov/manage-loans/repayment/servicers>

² Student loan repayment | Federal Student Aid. (n.d.). <https://studentaid.gov/manage-loans/repayment#grace>

³ House, W. (2024, April 7). President Joe Biden outlines new plans to deliver student debt relief to over 30 million Americans under the Biden-Harris administration. The White House. <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/08/president-joe-biden-outlines-new-plans-to-deliver-student-debt-relief-to-over-30-million-americans-under-the-biden-harris-administration/>



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