You can manage your student loan repayment

Choose the payment options that fit into your budget

If you are a recent graduate with student loans, you have many options for repayment. But how do you determine what option works for you? With some organization up front, you can gain the financial freedom you need to repay your student loans.

You generally have 6 months from the time you graduate until your first student loan payment is due. If you take no action on your own, you will be billed according to a standard repayment plan, generally equal installments over 10 years. Depending on how much you owe, this may result in a payment that might be more than you can handle right now.

Lenders, including the U.S. Department of Education that oversees the federal student loan program, have developed a variety of loan repayment plans to make it more manageable for recent graduates. Federally-insured Stafford Loans in particular offer a great deal of flexibility, but so do state programs and many privately-funded (bank) loans. Sorting through these choices can be overwhelming. Therefore, you need time to plan ahead and understand the alternative plans available.

To help guide your decision-making, we've laid out a few steps you might follow and some sample scenarios that many recent graduates face, the choices they might make and why.

Don’t wait until your first payment is due — prepare now

Three steps to help you decide on which repayment choices may work for you.

Step 1: Find out who will be collecting your loans

Sounds like this should be a no-brainer? Well, you may know who lent you your money; however, the company responsible for collecting your payments, called your “servicer,” may be different. Federal loans are assigned to one of ten servicing companies, including “FedLoan Servicing,” “Nelnet,” and “MOHELA.” The servicing company will contact you shortly after you graduate or a few months prior to the start of repayment. To find out who your servicer is in advance of being contacted go to https://studentaid.ed.gov/sa/repay-loans/understand/servicers.

Even if you have a private loan from a bank, the servicer who collects your payments may be different. Private lenders that might own your loans include SallieMae and Navient.


Unless otherwise noted all information contained in this article can be accessed via studentaid.gov or myfedloan.org.

The article is based on publicly available information which is deemed reliable but is not guaranteed. There may be additional options or payment plans that are available for consideration. Each individual’s circumstances will be different, and should be taken into account when determining a payment plan. Lincoln Financial does not offer student loans nor loan repayment plans.
Step 2: Gather your student loan information from all sources

Why is this important? The total amount of your student debt from all sources, along with your current income, is used to determine the types of repayment plans open to you and what you would pay monthly under each plan.

The National Student Loan Data System (NSLDS) is the Department of Education’s central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of Education programs. If you applied for student financial aid through your school or directly through the Student Direct or Parent Direct loan program this is the place to retrieve your loan information to get started: https://www.nslds.ed.gov/nslds/nslds_SA/.

Record this essential information and keep it in a safe place
- Lender name (i.e., Department of Education)
- Loan or account number
- Amount you owe for each loan or account number

![NOTE: Loans from other sources, such as some state programs and banks, may not be reported to NSLDS. You will have to contact those lenders separately for your information.]

Step 3: Estimate your loan payments using various repayment plans.

The Department of Education repayment calculator (https://myfedloan.org/billing-payment/payment-plans/repayment-schedule-estimator.shtml) can be used to see what your payments might be using different payment plans.

For example, you may be able to combine several loans into one payment, at a preferable interest rate and extend the number of years you have to repay—reducing your monthly payment—versus paying each loan individually under the standard payment plan. You may also be eligible for “income-based repayment” that can reduce the monthly payments you will make based on your income.

Remember, if you take no action, you will receive the standard payment plan, which is equal installments over 10 years, and may result in a monthly payment that might stretch your budget.

What to consider as your prepare to repay your loans

Take this quiz to help you examine how debt repayment fits in with your current lifestyle/career.

Since you’re just starting out and have not established your lifestyle or many of your spending habits, you may not be sure what you can safely afford to pay monthly for student loan debt. To help you figure out your ability to manage your student loan debt, ask some basic questions about yourself using this quiz.

<table>
<thead>
<tr>
<th>Answer these questions “Yes” or “No.”</th>
<th>Y or N</th>
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<td>Are you permanently employed (Y) or is your job temporary (N)?</td>
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<td>Is the amount of your paycheck consistent (Y) or is it mostly determined by commissions or incentives (N)?</td>
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<td>Have you chosen a career path or company where you have an opportunity to increase your salary/commissions or bonus significantly over the next few years (Y)?</td>
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<td>Do you plan to initially live with your parents (Y) to save money?</td>
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<td>Are you able to budget and be disciplined enough to stick to it (Y) or do you prefer to be an impulsive spender (N)?</td>
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<td>Do you have emergency savings that could sustain you for 3 months if you lost your job (Y)?</td>
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<td>Do you have other significant expenses, such as an auto loan or furnishing an apartment (Y)?</td>
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<td>Do you feel comfortable asking your parents for financial help if you miscalculate your budget (Y)?</td>
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Scoring: The more “Yes” answers you have, the more flexibility you may have to manage the standard or “default” payment. The more “No” answers you have, the less budget flexibility you might have and therefore you might give more consideration to alternative payment plans.

Of course, if your monthly payment just doesn’t fit your budget, you may be able to select alternative options to reduce your payments. You can always accelerate your repayment if your income increases or if you know you can afford to.

This quiz was developed using information from studentaid.gov and myfedloan.org
Keep the lines of communication open

The best thing you can always do with a lender is deal in good faith. They want to help you stay current with your payments so you can pay back your loans. Don’t ignore any bills if your circumstances change. There are many options they can offer you.

Sign up for automatic debit and never miss a payment. Your payment will automatically be taken from your bank account each month. Some servicers will also reduce your interest rate if you enroll.¹

Beware of private companies who may contact you with offers to help you with your student loans for a fee. The Department of Education and their loan servicers will help you for free.

One milestone completed and many more to look forward to

Making payments on your student loans, along with entering the workforce, can be viewed as a “rite of passage” from student to working adult. You’ll also be building your credit history, which is so important when it comes to qualifying for a home mortgage or an auto loan. And, when you’re all done with your payments, you’ll experience a big sigh of relief, and revel in a sense of accomplishment.

If you encounter problems with your loan servicer, for example, if they are unresponsive, you may file a complaint related to your federal student loans with the U.S. Department of Education (https://studentaid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman?nointercept/1) or for your private student loans with the Consumer Financial Protection Bureau (http://www.consumerfinance.gov/complaint).

Is your situation similar to any of these?

See how the following recent graduates decided on a repayment plan.*

Meet Lindsey

Graduated from a private university. Annual cost of attendance $45,000/year; Borrowed $39,000 in federal and state student loans

- Federal Stafford Loans, borrowed each year in school
  - $24,000 total
- State loan program, borrowed 3 years
  - $15,000 total

Employment

- Employed by a temporary agency and paid by the hour to work at a large bank
- Adjusted Gross Income of $34,000

Living situation

- Lives with her parents to build up her savings before renting her own apartment

Expenses

- Owns a used car with loan and insurance payments totaling $280/month
- Health insurance paid through her parents employer (until age 26)

Repayment options considered @ 7% consolidated interest rate

- Standard repayment: 10 years, $453/month
- Extended fixed repayment: 25 years, $276/month
- Income-based repayment: year 1, $202/month, readjusts yearly based on income

Repayment decision: extended fixed repayment of $276/month

Because Lindsey decided to live at home, her expenses were less. She opted to make payments based on the extended fixed repayment plan. She rationalized that it was equivalent to a car payment for the next 25 years. The standard payment plan would have eaten away about 20% of her net pay per month and that wouldn’t be sustainable if she moved into her own apartment. She could have opted for the income-based repayment; however, she felt more comfortable with a predictable payment over time, even though she expected her salary to increase over the next few years.

*The examples provided are hypothetical and represent recent graduates with different circumstances entering the work force and loan balances representative of the cost of their education. Calculations made using the estimator and loan repayment information from https://studentaid.ed.gov/sa/.
Meet Kyle

Graduated from a large state university. Out-of-state student @ $34,000/year; Borrowed $32,000 in federal student loans
- Federal Stafford Loans, borrowed each year in school – $32,000 total

Employment
- Seasonal employee (7 months) during fall-winter football season
- Adjusted Gross Income of $23,000

Living situation
- Lives with parents and commutes to job via public transportation
- Some business travel

Expenses
- With the summer off, Kyle plans to rent a share in a beach house
- Health insurance paid through parent’s employer (until age 26)

Repayment options considered @ 7.6% consolidated interest rate
- Standard repayment: 10 years, $382/month
- Extended graduated repayment: 25 years, $203/month for 24 months
- Income-based repayment: year 1, $65/month, readjusts yearly based on income

Repayment decision: income-based repayment of $65/month

Because Kyle wanted to get his foot in the door in a desirable sports management company, he took a temporary position that pays well below what he might earn in another, more permanent position. He has no choice but to live at home. His commuting costs are substantial and he goes out frequently after work to hopefully network into a better job the following year. Kyle opted for the income-based repayment plan which gives him the most flexibility for his current situation and income. Then, when he is more established in his job, he can pick a more predictable payment plan based on his earnings.
Meet Gail

Graduated from a private university in 4 years. Annual cost of attendance $58,000; Enrolled in law school in the fall after graduation and graduated in 3 years. Annual cost of attendance $65,000

Borrowed $84,000 in federal student loans
- Undergraduate: borrowed each year through the direct student loan program – $24,000
- Law school: borrowed each year through the direct student loan program – $60,000

Employment
- First-year associate at a law firm in private practice
- Adjusted Gross Income of $93,000

Living situation
- Rents an apartment and commutes via public transportation

Expenses
- Rent is $1,600 month
- Costs to furnish an apartment
- Wardrobe for law practice
- Health insurance coverage through her employer

Repayment options considered @ 6% consolidated interest rate
- Standard repayment: 10 years, $933/month
- Graduated repayment: 10 years, $533/month for 24 month
- Extended graduated repayment: 25 years, $420/month, readjusts yearly based on income

Repayment decision: graduated repayment of $533/month

Gail is on a career path where she expects her salary to increase significantly within a few years. Under the standard repayment plan, Gail felt the initial monthly payments would be too high for her current budget. Gail also considered extending her repayment using the extended graduated repayment plan, which would give her up to 25 years to repay. However, the total amount she would repay under that option would be more than 40% greater than her total payments if repaid in 10 years. She therefore opted for the graduated repayment plan which gave her the flexibility to pay less now, while she is establishing herself in her career. Then, with her career advancement, she be able her to afford the increases in payments every two years.
Take charge of your financial future by consulting with a financial advisor.

If you, or your family, do not have an advisor, contact a Lincoln Financial representative, by calling 855-831-7067, or visit LincolnFinancial.com for further information.