

## A Checklist for Student Loan Borrowers

by Tom Dickson

Reviewed by Heather Jarvis

I am the founder of the Financial Experts Network, a personal finance education platform that uses true experts to educate you on important topics like student loans, college financial aid, FICO scores, and much more. Visit [www.financialexpertsnetwork.com](http://www.financialexpertsnetwork.com) to learn more.

Two experts I relied on for putting this checklist together are Heather Jarvis and Mark Kantrowitz. Heather and Mark are giants in the field of student loans. Both have been on educational webinars I've hosted on student repayments and college financial aid. You can view a replay of ***Student Loan Repayment Options*** on the Financial Experts website.

**Tip:** If you cannot find answers to your questions in this document, I recommend including Heather and/or Mark's name (individually) when researching your questions. I'd also add that the Federal website, [www.studentaid.gov](http://www.studentaid.gov), is a great resource.

Managing your student loan is an important part of strengthening your financial security. Student loans can be a little confusing, even for financial professionals. This checklist has been created to help you understand how they work and the options that may be available to you. I encourage you to read this in its entirety and put the ideas to good use.

### ☐ #1 Verify the Types of Student Loans You Have.

To determine if you have a federal student loan, visit [www.studentaid.gov](http://www.studentaid.gov) and login to your account. You will use the same FSA ID you used to complete the FAFSA form. Once you log in, you'll see your dashboard. You want to drill down to the loan details and look for the word "direct." Federally held loans are called; Direct Subsidized, Direct Unsubsidized, FFEL, Direct PLUS or Direct Consolidated Loans.

### ☐ #2 Identify Your Loan Servicer.

It's important to know who services your loans and information about your servicer can be found on your [www.studentaid.gov](http://www.studentaid.gov) dashboard. However, if you cannot locate the name, call the Federal Student Aid Information Center (FSAIC) at 1-800-433-3243. A list of all federal loan servicers can also be found at [www.studentaid.gov/servicer](http://www.studentaid.gov/servicer). For all other loans such as private bank loans, you should request a free credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com). It's the only credit reporting website authorized by the federal government. It will list the firm that services your student loans under "Account Information."

### ☐ #3 Record and Manage Your Loans.

Use the Worksheet below to record details for each student loan you have. This will help you keep track of your obligations, and it will prove helpful if you wish to research options available to you.

**Tip:** You should also record this information in your phone and/or computer and include it in your cash flow /budgeting process.

## Federal Loans Worksheet

### Federal Loan #1

Loan Servicing Company:

Phone #:

Website:

Loan or Account #:

Monthly Payment Amount:

Interest Rate:

Fixed or Variable Interest Rate:

Month/Year Interest Rate Changes:

Loan Balance:

Month/Year of Last Payment:

Type of Loan<sup>1</sup>:

Payment Plan<sup>2</sup>:

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Federal Loan #2

Loan Servicing Company:

Phone #:

Website:

Loan or Account #:

Monthly Payment Amount:

Interest Rate:

Fixed or Variable Interest Rate:

Month/Year Interest Rate Changes:

Loan Balance:

Month/Year of Last Payment:

Type of Loan<sup>1</sup>:

Payment Plan<sup>2</sup>:

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

<sup>1</sup> **Types of Federal Student Loans:** Direct Subsidized, Direct Unsubsidized, Parent PLUS, Direct Consolidation

<sup>2</sup> **Payment plans for Federal Student Loans:** Standard, Graduated, or Income-Driven Repayment plan (PAYE, REPAYE, IBR and ICR).

## Private Loans Worksheet

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### Private Loan #1

Loan Servicing Company:

Phone #:

Website:

Loan or Account #:

Monthly Payment Amount:

Interest Rate:

Fixed or Variable Interest Rate:

Month/Year Interest Rate Changes:

Loan Balance:

Month/Year of Last Payment:

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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### Private Loan #2

Loan Servicing Company:

Phone #:

Website:

Loan or Account #:

Monthly Payment Amount:

Interest Rate:

Fixed or Variable Interest Rate:

Month/Year Interest Rate Changes:

Loan Balance:

Month/Year of Last Payment:

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ❏ #4 Unemployed? Or Struggling With Payments? BE PROACTIVE!

If you're struggling to make your student loan payments, do not ignore your situation. Most federal student loans offer deferment and forbearance options when you experience an event that makes it difficult for you to make your payments. Both options allow you to discontinue making payments for a specified period. **The main difference between deferment and forbearance** is for federal subsidized loans the government typically covers the cost of the interest while your loans are in deferment. Note that some private lenders do offer forbearance for a fee.

Also consider enrolling in an Income-Driven Repayment (IDR) plan for federal student loans. IDR is a better option than deferment or forbearance in many cases.

Here are a few resources to help you understand your options:

1. Mark Kantrowitz's article on student loan deferment and forbearance options: [www.savingforcollege.com/article/whats-the-difference-between-a-deferment-and-a-forbearance](http://www.savingforcollege.com/article/whats-the-difference-between-a-deferment-and-a-forbearance).
2. Go to the StudentAid.Gov website: [www.studentaid.gov/manage-loans/lower-payments/get-temporary-relief](http://www.studentaid.gov/manage-loans/lower-payments/get-temporary-relief).

**Tip:** You can and should contact your loan servicer when contemplating the options that may be available to you. You should always ask the servicer to put your options in writing.

#### ❏ #5 Payment Plan Change Anyone?

Federal student loans are unique in that they allow borrowers to change their payment plan at any time for free. There are payment plans, known as **Income-Driven Repayment (IDR) Plans**, that calculate your monthly payment based on your income and family size.

Before we explore how IDR plans work, here's a primer on the other payment plans federal student loans offer:

- The **Standard Repayment Plan** requires a fixed monthly payment for 10 years. By default, all borrowers are automatically placed into the Standard Repayment Plan.
- The **Graduated Repayment Plan** starts with a reduced payment that is fixed for a set period and then increase on a predetermined schedule. Compared to the Standard Repayment Plan, a borrower is likely to end up paying more in interest over the life of the loan under this option.
- Extended Repayment Plans spread payments out over 25 years.

**CAUTION:** Please be sure to carefully assess the total cost of any payment plan before making a change! Weigh the short-term relief a lower payment may offer against the potentially higher overall cost of a longer payment period because making payments for a longer period will likely cost you more in total interest may be higher than what you may pay with your current payment plan.

Now let's look at Income-Driven Repayment (IDR) plans, that calculate your monthly payment based on your income and family size. Generally, an IDR plan will lower your monthly payment and offer different combinations of payment deferral and debt forgiveness based on your income and other factors. You may be asked to document financial hardship and meet other eligibility requirements. See the chart below for a comparison of the Income-Driven Repayment Plans.

## INCOME-DRIVEN REPAYMENT PLANS FOR FEDERAL STUDENT LOANS

REPAYMENT PLAN	PAYMENT	LOAN FORGIVENESS AFTER
<b>Revised Pay As You Earn (REPAYE)</b>	<b>10 percent</b> of your discretionary income	<b>20 or 25 years</b> of qualifying repayment
<b>Pay As You Earn (PAYE)</b>	Never more than <b>10 percent</b> of your discretionary income	<b>20 years</b> of qualifying repayment
<b>Income-Based Repayment (IBR)</b>	Never more than <b>15 percent</b> of your discretionary income	No more than <b>25 years</b> of qualifying repayment
<b>Income-Contingent Repayment (ICR)</b>	Never more than <b>20 percent</b> of your discretionary income	<b>25 years</b> of qualifying repayment

Source: U.S. Dept. of Education

### #6 BEFORE you change plans be sure to RUN THE NUMBERS!

Use a calculator to compare the total cost of your loan in various repayment scenario(s). Heather Jarvis, a student loan expert, recommends a calculator developed by the Veterinary Foundation that can be found at: [VIN Foundation student loan calculator](#).

**Tip:** When exploring options, be sure to calculate the following:

1. What will the new loan balance be if the repayment plan is changed?
2. How much will the loan cost me over the life of the loan?
3. How does a new payment fit in to the monthly budget? i.e., can I afford it?

[Here is a link](#) to a list of free budget programs that can help you quantify your monthly expenses.

### #7 Already On an Income-Driven Plan?

For those already on an Income-Driven Repayment Plan who've experienced financial hardship due to job loss or perhaps a growing family, you should immediately contact your loan servicer to request a payment adjustment. You do not have to wait until your annual recertification to make this request.

### ❑ #8 Does Refinancing your Private Loans Make Sense?

It's wise to consider refinancing your **private** student loans to get a lower interest rate and potentially lower monthly payment. You will need a good credit score and reliable income to qualify.

**Tips:**

- If you want to refinance your loans, shop for a private consolidation loan with the lowest interest rate.
- Confirm with any party who requests to check your credit score that your inquiry is a "soft inquiry" that will not impact your credit score.
- If you cannot qualify on your own, pursue a cosigner to guarantee the loan.

### ❑ #9 Think Before You Refinance Your Federal Student Loans

Federal student loans have some superior benefits to private student loans that are forfeited if you refinance. Keep in mind refinancing federal student loans means a loss in many benefits; income-driven repayment plans, any federal forgiveness programs, generous deferment, and forbearance options.

**Attention Parents:** Parents with excellent credit scores may wish to consider refinancing a Federal Parent PLUS loan into a private student loan, if the private loan offers an interest rate at least two percentage points lower than the existing loan.

**A Federal Direct Consolidation Loan** is a good option if the goal is to streamline payments by combining multiple federal loans or to switch loan servicers. However, beware because consolidation will reset the clock on loan forgiveness. Be sure to research the pros and cons of this idea before you make a move!

### ❑ #10 Can Your Student Loan Be Forgiven?

If you work for the government or a nonprofit, your student loan may be forgiven after you've made 120 payments. The U.S. Department of Education has provided a PSLF (Public Service Loan Forgiveness) Help Tool to help borrowers determine whether their loans and employer qualify for PSLF. The tool prefills the employer certification form and can also specify actions that must be taken to qualify for PSLF, such as moving the loans into the Direct Loan program and changing repayment plans. Follow this link for more: <https://studentaid.gov/pslf/>.

### ❑ #11 Other Tips and Resources

- **Gotchas:** Be careful of firms who advertise they can help you with your student loans for a fee. It's usually a scam. If you need help, you should rely on a trusted financial advisor. If you don't have one, I recommend you consider hiring someone only if your situation is complex. If that is the case, and you have the means to do so, I recommend you consider professionals with the Certified Student Loan Professional designation ("CSLP®"). The CSLP® pros have been trained in student loan repayment options and are qualified to give advice on which options may be in your best interest.

**To find a CSLP:** <https://cslainstitute.org/find-a-cslp/>

- **Sign up for autopay.** Autopay, also known as auto-debit, automatically transfers your monthly student loan payment from your bank account to the lender. You remain in control and can cancel at any time. Autopay provides two valuable benefits. First, you will not miss a payment

because it is automatically paid. Second, many lenders offer a discount, such as a 0.25% interest rate reduction, as an incentive.

- **Add reminders to your calendar.** If you don't sign up for autopay, add a monthly reminder to your calendar to make your student loan payments two weeks before the payment is due. (Included below)
- **Create a "rainy-day" fund.** This is always a good idea. Your goal should be to save 3-6 months of living expenses, part of which can be used to make loan payments if you lose your job.

## #12 Annual Student Loan Repayment Checklist

- **Claim the student loan interest deduction on your federal income tax return.** This deduction is an above-the-line exclusion from income for up to \$2,500 in interest paid on federal and private student loans.
- **Accelerate repayment of the loan with the highest interest rate.** Making extra payments will save money and reduce your average interest rate. Include a note with each extra payment to specify that it is an extra payment - not an early payment of the next installment. If you have more than one loan with the lender, specify the loan ID number of the loan to which the extra payment should be applied.
- **Check your account and/or monthly statement to verify the prepayment has reduced your loan balance appropriately.**
- **Submit income certification paperwork promptly.** If your student loans are in an income-driven repayment plan, you must submit an annual recertification of your income.