Loan Repayment Tips and Resources

- From the book, "Life after School. Explained See if there's a direct deposit option when paying back student loans. If you set up your loan account to have payments automatically withdrawn from your checking account each moth, some lenders will give you .25% off your loan. Lenders feel a little security in having money automatically withdrawn from payments, so they cut you some slack. If you have a loan charged at 5.25%, you'll only have to pay 5% with direct deposit. It doesn't sound like much, but it adds up. Also, some lenders who offer Stafford loans take 2% off your interest rate if you make your payments on time for four years.

- Click here to find out more about loan discounts

- From Forbes Magazine When thinking about consolidating loans, consider carefully. There are some reasons why you might not want to consolidate your loans. Consolidating federal loans does not save you money. The interest rate on a federal consolidation loan is based on the weighted average of the interest rates on the loans, rounded up to the nearest 1/8th of a percent and capped at 8.25%. This preserves the cost of the loans. Consolidation may provide access to alternate repayment plans that can reduce the monthly loan payment, but this will ultimately cost you more money by stretching out the term of the loan.

  Private consolidation loans, on the other hand, are similar to a more traditional refinance. They are new loans with a new interest rate based on the current credit score of the borrower and cosigner, if any. Credit scores tend to decrease with each year in school, due to the increasing loan balance. It takes several years of paying every debt on time as per the agreement to build a better credit score. Until then, a private consolidation loan will have a higher interest rate. Note that you must repay all your debts responsibly, not just the student loans. There is also no tolerance for bad behavior, as even a single late payment can ruin an otherwise good credit history.

  But in both cases there are drawbacks to consolidation. If your loans have significantly different interest rates, you may be able to save money by accelerating repayment of the highest interest rate loan first. There are no prepayment penalties on student loans, so you can make extra payments on the most expensive loan after making the required payments on all your loans. Making extra payments on the loan with the highest interest rate will reduce the average interest rate on your loans. But if you consolidate your loans, you will replace them with a single loan with a single interest rate, preventing you from targeting the highest rate loan for earlier repayment.

- Help from the US Department of Education

- Financial Aid Administrators Offer Loan Repayment Advice to Recent College Graduates

  Including:

  Facts About Default and Tips for Struggling Borrowers

  Chart to Help Estimate Costs Under Various Repayment Programs