

Quick Tips Once You Have Student Loans

Repaying your student loan debt can be confusing. But paying late—or not at all—can have long-lasting and serious consequences. Below are tips to help you plan and protect yourself.

Are you paying on time but need to lower your monthly student loan payments?

FEDERAL STUDENT LOANS

- **Income-driven repayment plan options** tie your monthly loan payment to your income. Depending on your income, your payments could be as low as \$0 a month. If you do not qualify for these options, **graduated options** may allow smaller initial payments that increase over time.
 - To see the various payment options, log in to the Repayment Estimator tool using your Federal Student Aid (FSA) ID at StudentLoans.gov.
 - *Important:* You must contact your loan servicer to choose and enroll in a plan.
- You may be able to **consolidate** your Perkins and FFEL (Federal Family Education Loan) loans to qualify for an income-driven repayment plan such as Pay As You Earn (PAYE) or Revised Pay As You Earn (REPAYE).
 - *Important:* Be careful which loans you include in consolidation and always avoid consolidating Parent PLUS loans with student loans you took out for your own education because you could lose access to favorable repayment plans.

If you are considering refinancing your federal student loan into a private student loan:

- Understand that you will lose access to the forbearance, deferment, income-driven repayment, rehabilitation, and consolidation options described in this sheet, as well as the forgiveness and discharge options available for federal student loans only.

If you have a qualifying government, nonprofit, or volunteer job:

- You may be able to have a portion of your federal student loans forgiven, canceled, or discharged, which means that you no longer need to repay your loan. You must complete special paperwork to prove you qualify.
 - Visit StudentLoans.gov for information about federal loan forgiveness options, including Perkins loan forgiveness and the Public Service Loan Forgiveness program.
 - Visit hesc.ny.gov for information about New York State loan forgiveness programs.

PRIVATE STUDENT LOANS

- Your only option is to refinance to a loan with a lower interest rate and/or a longer repayment period. Keep in mind that many refinance loans come with fees.

Are you late or in danger of being late on your student loan payments?

FEDERAL STUDENT LOANS

- If you need immediate help, **deferment** and **forbearance** allow you to temporarily stop making payments on your loans. In most cases, the *interest will still accrue* when you are not making payments and will be added to your loan balance. If making your monthly loan payments is a struggle, enrolling in an income-driven repayment plan may be more affordable in the long run.

Have you already defaulted on your student loans?

You have two options, each of which you can use only once.

1. **Rehabilitation** requires that you make nine payments in a 10-month period. If you cannot afford to pay the required amount, you can negotiate a “reasonable and affordable” monthly payment (as low as \$5 a month) with the debt collector or loan servicer who has contacted you about your debt.

When you rehabilitate the loan, the default will be removed from your credit report and your loan will be moved back to your servicer. Fees of up to 16 percent may be added to your loan balance.

2. **Consolidation**, which combines your previous loan(s) into a new loan, offers a quicker path out of default. However, the default will stay on your credit report for up to seven years. Fees of up to 18.5 percent may be added to your loan balance. Any payment history will be lost for purposes of **forgiveness** and **discharge**.

Once you rehabilitate or consolidate your loan, consider an income-driven repayment plan option.



BEWARE OF STUDENT LOAN “DEBT RELIEF” SCAMS

Scammers take advantage of students by offering to lower monthly payments and falsely promising loan forgiveness through federal programs that don’t exist. They charge students high up-front and ongoing fees for services that are available free of charge through the Department of Education. You do not have to pay to enroll in loan forgiveness or income-driven repayment plans.



FREE HELP

Get free professional financial counseling at an NYC Financial Empowerment Center. Centers are run by the Department of Consumer Affairs in partnership with community-based organizations.

To book an appointment:

Call 311 | Visit nyc.gov/dca | Text* TalkMoney to 42033

**Message and data rates may apply. Check with your service provider.*

Get a free copy of your credit report and review it carefully:

annualcreditreport.com | 1-877-322-8228 (toll-free)

OTHER RESOURCES

- **Consumer Financial Protection Bureau:**
consumerfinance.gov
- **Federal Student Aid**
(U.S. Department of Education):
studentaid.ed.gov
- **Department of Consumer Affairs**
(debt collection complaints):
nyc.gov/dca | 311



Bill de Blasio
Mayor

**Consumer
Affairs**

Lorelei Salas
Commissioner



NYLAG

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