Repaying Student Loans

After graduation, repaying student loans can feel overwhelming. Luckily, there is some time after graduation before any decisions have to be made, known as a grace period. Every federal direct loan (except for PLUS loans) has a six-month grace period before repayment begins. PLUS loans must be repaid once they are fully paid out, and if you received a Perkins Loan, you'll want to coordinate with the school from which you received your loan.

Repayment Plans

After you graduate, you'll be able to decide on a repayment plan of your choice. If you don't, then you're automatically enrolled in the Standard Repayment Plan. With the Standard Repayment Plan, monthly bills are higher but the loan is paid off sooner, saving you money over time. Alternatively, the Graduated Plan begins with lower payments and they increase every two years. Remember, there are several repayment plans available, and you are able to change your plan at any time for free. Visit the Federal Student Aid website to explore more options for repayment.

Consolidating Loans

If you have multiple federal student loans, that means multiple interest rates to keep track of. Consolidating your loans not only makes managing them easier, but may also be financially advantageous. There are two ways to do this:

- Combine all your loans into a single Direct Consolidation Loan. You'll make just one monthly payment and pay one interest rate.
- Refinance your loans through a bank or credit union into one loan. Loan approval rules vary by lender.

Deferment and Forbearance

If necessary, after your grace period ends you can further delay loan repayment through either deferment or forbearance, which allow borrowers to suspend or reduce their payments under special circumstances. Be aware that unless you have a Perkins or Subsidized Loan, you are responsible for paying the interest that builds up during the deferment period. Find out whether you qualify for deferment.

If you don't qualify for deferment, then you can apply for forbearance to stop making payments or reduce your monthly payment for up to 12 months. There are two types of forbearances:

- **Discretionary** – Forbearance requests due to illness or financial hardship that your lender decides to grant or not to grant.
- **Mandatory forbearance** – Your lender is required to grant you forbearance if you meet the eligibility requirements.

There are pros and cons to each of these options. It's important to know the costs and benefits of each before you make a decision about which option is right for you.