

## Borrowing for Success

### Managing College Debt

College can be expensive, but it's a smart investment in your future. Higher education pays for itself many times over in the form of higher wages and increased job opportunities.

Education debt is an example of "good" debt when handled correctly: borrowing only what you need from federally subsidized sources first, making sure other education loans are approved by your school, and minimizing high interest credit card debt.

For most graduates, college debt definitely impacts life after college. In fact, most student loan repayment schedules last 10 years or more – that's 120 monthly payments.

What if you could reduce your payment amount significantly by simply making different choices? If you are just starting college, sticking to a monthly budget is one of the best ways to lower your overall debt. Please review CFNC's online financial literacy course for more on budgets and debt management.

If you are near graduation or have already graduated, you'll want to understand all of your repayment options. There are many repayment plans that are designed to fit your income, some of which reduce your monthly payment.

### Repaying Federal Student Loans

Repayment normally begins when you graduate or drop below half-time enrollment. Typically, you have a six-month grace period during which payments are optional. Interest does continue to accrue on any unsubsidized loans, so be sure to begin repayment as soon as possible.

There are several payment plans for your federal student loans.

- **Standard** – You pay a fixed amount each month for up to 10 years based on the total amount borrowed. The minimum monthly payment is \$50.
- **Income-Sensitive** – Your monthly payment is based on your actual yearly income, family size, and loan amount.



- **Graduated** – Your payment amount increases every two years. The period ranges from 12-30 years, and you will repay more interest than in the Standard Plan. The main benefit is that payments are lower when you are younger and are earning less money, and increase as you get older and earn more.
- **Income-Based** – This option may cap your monthly education loan payments if you are having a hard time meeting basic living expenses. Your lender uses your income, family size, and federal poverty guidelines to determine your eligibility for this program.
- **Extended** – You pay a lower monthly amount, but at least a minimum of \$50, over 12 to 30 years. You will repay a higher total amount because the interest accrues over a longer amount of time. To be eligible for this plan, all of your outstanding loans must have been disbursed on or after October 7, 1998.

Consult your lender or servicer to learn of any possible benefits for on-time repayment. Alternative (private) loans have repayment policies that vary from those above.

**Don't forget - if you can pay off your student loan early, you could save thousands of dollars in interest!**

Visit [CFNC.org](http://CFNC.org) for more financial education.