Family Fundamentals

News from the College of Food, Agricultural, and Environmental Sciences

Investigate options to repay student loans

I am about to graduate from college and, so far, I don't have a job. I'm worried about paying back my student loans when the time comes. What happens if I can't afford the payment?

With any type of debt, it's important to understand the terms of payment and what to do as soon as you fear you can't keep up.

It's a good sign that you're thinking of this now. Too many people avoid the issue. If they don't have the money, they just miss payments and become delinquent, costing them not only financially in late fees, additional interest and penalties, but in increased stress and anxiety.

The Federal Reserve Bank of New York recently issued "Student Loan Borrowing and Repayment Trends, 2015," which reported that only 37 percent of student loan borrowers are current on their loans and actively paying them down. Another 46 percent are officially current on their loans, but aren't making any payments because they're still in school or they've gotten some type of deferment. But 17 percent are in default or delinquency. Of all borrowers, about half owe more than $15,000. About 4 percent owe more than $100,000.

Getting a handle on your student loan debt might take all the muster you developed during your college years. Depending on how many loans you have and what type they are, sorting out the details can get complicated very quickly.

Fortunately, the federal Consumer Financial Protection Bureau has developed a website to help walk you through the issues. Go to www.consumerfinance.gov/paying-for-college/ and scroll down to "Repay Student Debt." The guide suggests you first list of all of your student loans, but if you aren't sure you have a handle on that, it

photo: iStock

helps you figure out how to find that information.

From there, the website helps walk you through the basics, whether you have federal loans such as Stafford, Grad PLUS, Direct or Perkins, or if you have private loans from a bank, credit union, your school or other entity, or even if you have both types of loans. It's important to know which types of loans you have, because the repayment options could be different.

For example, federal loans offer an income-based repayment schedule, and the bureau's website provides a chart estimating what your monthly payment might be given your income and the size of your household. You may be able to negotiate lower payments with private loans, as well, and the website offers a sample letter for you to use when you contact the loan servicer. You also may be eligible for deferment or forbearance, which would allow you to delay or reduce your payment amount to help you avoid going into default. But there are pros and cons to all of these choices, again depending on the type of loan.

Do whatever you can to avoid going into default, which can damage your credit rating and prevent you from getting a home or car loan or even a credit card. In addition, debt collectors may start contacting you.

You have options. Be proactive and manage your debt using all the tools available to you.

April 2015

By Martha Filipic
614-292-9833
filipic.3@osu.edu

Dear Subscriber: This column was reviewed by Nancy Stehulak, family and consumer sciences educator with Ohio State University Extension.

Family Fundamentals is a monthly column on family issues. It is a service of the College of Food, Agricultural, and Environmental Sciences and its outreach and research arms, Ohio State University Extension and the Ohio Agricultural Research and Development Center. Send questions to Family Fundamentals, c/o Martha Filipic, 2021 Coffey Road, Columbus, OH 43210-1044, or filipic.3@osu.edu.

College Communications
2021 Coffey Road
Columbus, OH 43210-1043
614-292-2011

208 Research Services Building
1680 Madison Ave.
Wooster, OH 44691-4096
330-263-3780