Best Practices For Student Loans

Taking out student loans for your education is an investment. We want to provide our students with the best practices while in school, and what they can expect when it's time for repayment.

Overview: What Are Student Loans?

Student loans (money that you pay back with interest) can help pay for part of your education. Direct loans (loans made by the federal government) are available to help cover your education expenses.

What Are Best Practices While You're In School?

Open a bank account if you don't already have one	Having a bank account allows you to cash any checks and make payments on your student loans with ease. We strongly suggest you have a bank account set up. Bank Of America and Chase both offer student bank accounts with little to no start-up fees.
Maintaining Satisfactory Academic Progress (SAP)	Doing well in your classes can impact your eligibility for financial aid. Maintaining satisfactory academic progress is part of the eligibility criteria for receiving federal student loans. Failing classes or falling below a certain GPA can jeopardize your student loan. Along with maintaining a GPA of 80 or higher, you'll also be expected to keep your attendance percentage above 80% to maintain eligibility for receiving federal student loans.
Return any loan payments you don't need	Often students will take out more money in student loans than they need to cover tuition. They may use this extra money to pay for books, room and board, or other living expenses. However, if you still have loan money left over after you cover all of your expenses, the wise thing to do is give that money right back. That way, it is deducted from your principal balance and won't accrue interest. It is always best practice to only take loans in the amount you need to complete school to cut down on unnecessary debt.
Pay down loans and interest while you're enrolled in school	If your loan is unsubsidized, it begins accruing interest while you are in school. Whenever possible, pay off that interest as it accrues, so when you graduate, your overall balance has not significantly inflated. Even if you have a subsidized loan that is not accruing interest while you are in school, you can start paying off the principal balance. This will give you a head start in paying off the loan after you complete your program.

Remember to submit a new FAFSA every year	In order to receive federal student loans, you must submit a new FAFSA every year. In the midst of classes, internships, jobs, and other obligations, it can be easy to forget to do this, so set a reminder for yourself. Failure to submit a FAFSA will make you ineligible for federal student loans and entirely reliant on private loans.
File your tax returns	If you are over the income threshold and didn't file a tax return, you won't be able to submit a completed FAFSA, and you won't qualify for federal financial aid. If you are behind on your taxes, contact a tax professional to get back on track to regain eligibility for financial aid.

What You Should Know When You Finish School?

You must repay your loans even if you don't graduate

A common misconception among student loan borrowers is that if you don't get a degree, you don't have to repay your loans. This is not true. Borrowers typically have to start repaying their loans six months after they leave school, whether or not they have earned a degree. Keep this in mind if you are considering leaving school for any reason prior to obtaining your degree.

Understanding repayment options

Once you leave school, you must begin repaying your loans. Federal subsidized and unsubsidized loans have a grace period of six months before you must begin paying off your student loans. Private loans tend to have a shorter grace period, or none at all. Be sure to check the terms of your loan prior to signing the agreement to confirm the length of the grace period, if there is one. You will receive a monthly bill with a minimum amount that you are obligated to pay by a certain date. In the case of private loans, the payment amount is usually non-negotiable, regardless of whether or not you are working, or what you are earning. However, for federal student loans, there are a number of repayment plans that allow you to adjust the monthly amount you owe. Be sure to look carefully at the different terms for these repayment plans, as they can affect the overall amount and length of time you have to pay.

Pay above the minimum payment

Your monthly bill is for the minimum amount you are required to pay each month, but paying more than that amount will help you decrease your principal balance, and therefore the amount of interest you owe, faster. Even if it's not possible for you to pay more than the minimum amount every month, putting extra money toward your student loan whenever possible can make a difference.

Don't Let Your Student Loans Default

If you’ve missed a payment or are having trouble making payments, immediately contact and discuss options with the organization that handles billing and other services for your loan to avoid defaulting on your loan.

Understanding Delinquency

It's important to pay the amount shown on your bill—and to pay by the due date. The **first day** after you miss a student loan payment, your loan becomes past due, or delinquent. Your loan account remains delinquent until you repay the past due amount or make other arrangements, such as deferment or forbearance, or changing repayment plans.

If you are delinquent on your student loan payment for 90 days or more, your loan servicer will report the delinquency to the three major national credit bureaus. If you continue to be delinquent, your loan can risk going into default. Don’t ignore your student loan payments—defaulting on your loan can have serious consequences.

If you have a poor credit rating, it can be difficult for you to obtain credit cards, home or car loans, or other forms of consumer credit. Note: You may also be charged a higher interest rate than someone with a good credit rating. You also may have trouble signing up for utilities, getting homeowner's insurance, getting a cell phone plan, or getting approval to rent an apartment (credit checks usually are required for renters).

Understanding Default

If your loan continues to be delinquent, the loan may go into default. The point when a loan is considered to be in default varies depending on the type of loan you received. For a loan made under the William D. Ford Federal Direct Loan Program or the Federal Family Education Loan Program, you’re considered to be in default if you don’t make your scheduled student loan payments for at least 270 days.

For a loan made under the Federal Perkins Loan Program, the holder of the loan may declare the loan to be in default if you don’t make your scheduled payment by the due date. Find out where to go for information about your Perkins Loan. If you defaulted on any of your federal student loans, contact the organization that notified you of the default as soon as possible so you can explain your situation fully and discuss your options. If you make repayment arrangements soon enough after your loan has gone into default, you may be able to resolve the default quickly.

Consequences of Default

The consequences of defaulting can not only impact your ability to borrow but can impact your finances as well. Consequences include the following:

- The entire unpaid balance of your loan and any interest you owe becomes immediately due (this is called "acceleration").
- You can no longer receive deferment or forbearance, and you lose eligibility for other benefits, such as the ability to choose a repayment plan.
- You lose eligibility for additional federal student aid.
- The default is reported to credit bureaus, damaging your credit rating and affecting your ability to buy a car or house or to get a credit card.
- It may take years to reestablish a good credit record.
- You may not be able to purchase or sell assets such as real estate.
- Your tax refunds and federal benefit payments may be withheld and applied toward repayment of your defaulted loan (this is called “Treasury offset”).
- Your wages may be garnished. This means your employer may be required to withhold a portion of your pay and send it to your loan holder to repay your defaulted loan.
- Your loan holder can take you to court.
- You may be charged court costs, collection fees, attorney’s fees, and other costs associated with the collection process.

Still Have Questions?

Contact the school’s financial aid office! We are here to help you and make sure you feel confident about your financial decisions.