

Prepare Your Recent Graduates for the End of Grace

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Countdown to Repayment

Shortly after graduation is the perfect time to begin reminding your students of six basic steps they can take that will help put them on track for repayment and post-college success.

Month 1: Find Out What You Owe and When

While students are in school, they're likely too busy to pay much attention to how much they owe on their various education loans, and when they'll be expected to repay them. Mandated communication to current students on an annual basis about their education loans in several states is designed to combat this inattention, reminding students of their obligation while they're borrowing so they can make wiser academic and financial decisions before they leave college.

But the transition to life out of school creates worry for students that may make them likely to avoid thinking about loans right away. This is a mistake. The sooner your students know what they owe in federal student loans and begin planning for repayment, the better poised they are for success.

Have your students access the National Student Loan Data System (NSLDS) to find their federal student loan totals, see which are subsidized and which are unsubsidized, and identify their student loan servicer (who they'll make payments to). While it's a perfect time for students to contact their servicer and set up an online account to make it easier to manage their loans later, at the *very least*, students should be facing the reality of how much they owe during month one. This simple reality check may help them avoid making rash financial decisions that will make repayment more difficult later.

Month 2: Chip Away at Interest

Unsubsidized federal loans start accruing interest the day they're disbursed—interest that eventually will need to be repaid. If your students are unemployed or under-employed, they may not be able to afford to start making regular payments right away. But this is a good time to explain to them the difference between simple and compound interest, and to encourage them to start paying interest now if at all possible. This can save them money in the long run, and sets a good pattern heading into repayment.

Month 3: Evaluate Payment Plans

While you hope most of your students will be employed within the first couple of months after leaving school, it's likely many of them are struggling financially. They may not have a good sense of their income and/or expenses yet, and may not have set up a budget. Looking at when student loan payments begin helps your students gain an understanding of the debt obligation before it fully impacts them, allowing them to make wiser choices about cars, apartments, jobs, and other financial decisions.

This is the perfect time for your students to look at flexible repayment options available with federal student loans, including extended payment plans and income-based repayment plans, to name a few. The U.S. Department of Education's Repayment Estimator can be very helpful, so you may want to point this tool out to your former students.

Month 4: Educate Yourself on Loan Forgiveness

Some of your students may qualify for a loan forgiveness program—the most common of which is Public Service Loan Forgiveness (PSLF). This program forgives the loan balances of borrowers who make 120 eligible payments while working for 10 years at an approved employer. Encourage your students who work for a non-profit or public sector employer to see if the organization qualifies for PSLF.

If so, encourage students to use the [PSLF Employment Certification Form](#) to track payments they make while employed there.

Month 5: Connect with Your Servicer

If your former students haven't yet heard from their servicer yet, it's crucial that they get in contact now. Help them understand that their servicer is there to help them find a repayment solution that works for them. Encourage them to find their servicer information on NSLDS, reach out to provide correct contact information, and stay in contact with their servicer. If they haven't already done so, it's key that they confirm the date and amount of their first payment, since they're responsible for making payments on time, including the first one.

Month 6: Save and Get Ready with Auto-Pay

Paying their bill is the last crucial step during grace in the final month leading up to repayment. The smartest, easiest way for borrowers to make payments is by enrolling in their servicer's auto-pay program. For some servicers, your interest rate may be reduced slightly with enrollment in auto-pay. And, regardless, automatic payments are the best way to ensure payments are on time.

Source: <https://www.usnews.com/education/blogs/student-loan-ranger/articles/2017-05-17/6-month-plan-to-prepare-for-student-loan-repayment>