

NEWS FROM

KHEAA–Alabama

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Money Tip for Students, October 2018

Time to start repaying student loans

If you finished college in May and have federal student loans, it's almost time to start repaying them. These tips from KHEAA–Alabama may help.

One of the smartest things you can do is pay more than your scheduled amount. If you ask your lender to apply the extra to the principal, you'll pay less interest over the life of your loan.

You have several plans from which to choose. The standard repayment plan calls for equal monthly payments over 10 years. The minimum monthly payment is usually \$50. Other options include:

- Graduated repayment, with lower amounts that get higher over the 10-year period.
- Income-driven repayment plans, with monthly amounts based on income and family size. Some plans forgive the balance if you make on-time payments for a certain time.
- Pay As You Earn, if you received no loans before Oct. 1, 2007, and at least one loan after Sept. 30, 2011.

You'll probably pay more interest over the life of the loan if you use any option other than standard repayment. Also, you may have to pay taxes on any amount that is forgiven.

Remember that the federal government can change repayment programs at any time.

KHEAA is a public, non-profit agency established in 1966 to improve students' access to college. It provides information about financial aid and financial literacy at no cost to students and parents.

KHEAA also helps colleges manage their student loan default rates and verify information submitted on the FAFSA. For more information about those services, visit www.kheaa.com.

In addition, KHEAA disburses private Advantage Education Loans on behalf of its sister agency, KHESLC. For more information about Advantage Education Loans, visit www.advantageeducationloan.com.

For more information about financial aid and college planning, visit www.alstudentaid.com.