

## How to pick the right student loan repayment plan

Repaying student loans is more complex than ever before. And considering that no two borrowers' life situations are exactly alike, finding the best path forward can prove frustrating for those seeking relief.

"Despite the number of available repayment programs out there, too many borrowers just don't understand what they qualify for and, as a result, are delinquent or falling into default on their loans," said Jessica Ferastoaru, a student loans specialist with Take Charge America, a national nonprofit student loan counseling agency. "With a little homework, borrowers can arm themselves with the proper knowledge to select the right plan that meets their individual needs."

Ferastoaru explains the major types of repayment plans:

**Standard Plan:** All federal loan borrowers are automatically enrolled in this plan, which requires fixed payments over 10 years. If you can afford payments, it's your best option to pay down your loans and save on interest.

**Extended Repay-**

**ment:** This plan provides lower payments over 25 years. It's an attractive option if you can't afford the payments on the Standard plan — but you'll pay more interest over time.

**Income-Driven Repayment:** These four plans cap payments at a percentage of income — usually between 10% and 20% — and extend repayment over 20 or 25 years. You must reapply annually by providing income and family details. Failure to do so will add unpaid interest to your balance and alter payments from income-based to an amount necessary to pay off your loan within 10 years or the end of your 20- or 25-year term.

**Graduated Repayment:** A good option for borrowers who expect their salaries to increase over the years, payments on this plan start lower and increase over a 10-year term. It's not the best option if you want consistent, lower payments. But you won't have the hassle of annually reapplying like an income-driven plan.

**Consolidation:** This option combines all your loans together with a fixed interest

rate and one monthly payment. Consolidation could save you money and does simplify the repayment process, but it can also extend the repayment terms for decades, depending on the amount of your loans.

**Loan Forgiveness:** If you work in a public service job with the government, military, public schools or nonprofits, you could qualify for a forgiveness program where balances are forgiven after 10 years of payments. Other borrowers may qualify for forgiveness on some income-driven plans after making payments for 20 or 25 years. Depending on the plan, the forgiven balance may be taxable. Plus, forgiveness is not guaranteed. You still have to make your payments over several years.

Even after evaluating all options, picking the best plan can remain a challenge. Nonprofit student loan counselors can help borrowers determine which repayment option fits best with their lifestyles. Online assistance also is available 24/7. Learn more at [takechargeamerica.org/student-loans/](http://takechargeamerica.org/student-loans/) or call (877) 784-2008.

