

If you have borrowed student loans or are considering borrowing student loans, it is important to understand and plan ahead for your repayment responsibilities.

Importance of Repaying Loans

Any loan you borrow must be repaid. Your loan servicer will let you know your monthly payment and when it is due each month. Falling behind on payments or ceasing payments altogether will negatively impact your credit, which can affect your ability to finance a car, secure a home loan, rent an apartment, sign up for utilities, or open other new lines of credit such as a credit card. If you have trouble making your payments, contact your servicer as soon as possible to find out your options. They may be able to help you switch into a different repayment plan or discuss forbearance, deferment, or consolidation.¹

Federal Loan Repayment Plans

There are several repayment plan options for federal student loans. You should choose one during your grace period, but know you can change your repayment plan any time by contacting your loan servicer. The current repayment plan options are listed below, and more information about each is on the [Federal Student Aid website](#). Please note that repayment plan options may change at any time.

- Standard Repayment Plan
- Graduated Repayment Plan
- Extended Repayment Plan
- Revised Pay As You Earn Plan (REPAYE)
- Pay As You Earn Plan (PAYE)
- Income-Based Repayment Plan (IBR)
- Income-Contingent Repayment Plan (ICR)
- Income-Sensitive Repayment Plan²

Tools to Estimate Your Monthly Payment

Federal Student Aid offers [Loan Simulator](#) to help you estimate your monthly payment on various repayment plans. This tool is especially helpful if you have only federal loans or a combination of federal and private loans. [Finaid.org](#) also offers a calculator if you have only private loans.

Strategies to Repay Debt Faster

The faster you repay your loan, the less you pay during the life of the loan. For federal student loans, there is no penalty for paying more than your monthly payment or making payments before your loan enters repayment. If you borrowed a private loan, check with your lender about penalties and repayment options. You can repay your loan faster by employing any of the following strategies:

- If you borrow a loan besides a Federal Direct Subsidized Loan, pay the interest regularly while the loan is in deferment to avoid having interest capitalize
- Make payments toward outstanding principal while you are in deferment
- Once you enter repayment, pay more than the monthly payment

1. "Student Loan Delinquency and Default." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/default>.

2. "Choose the Federal Student Loan Repayment Plan That's Best for You." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/repayment/plans>.

Glossary of Loan Vocabulary

Borrowing money comes with a lot of vocabulary that may be new to you. Start getting acquainted with some common terms below. All explanations are adapted from the [Federal Student Aid website](#), where more terms are defined.

- **Accrue:** add on; interest accrues on (is added to) Federal Direct Loans daily³
- **Capitalization:** unpaid interest is added to the principal of a loan, making the amount you have borrowed larger; once interest capitalizes and becomes part of the outstanding principal, interest will begin to accrue on it; paying the interest before capitalization prevents the loan principal from increasing⁴
- **Consolidation:** if you have multiple loans, you can combine them into one loan; the application for federal education loan consolidation is free and combines your federal loans into one loan with one fixed interest rate; consider the [implications of consolidation](#) before making a decision⁵
- **Default:** for federal student loans, your loan enters this status if no payment is made in over 270 days; you can no longer receive federal student aid, may face legal action, and will experience a [host of other negative impacts](#)⁶
- **Deferment:** a period of time during which you do not have to make payments due to specific circumstances that may include enrollment in school, financial hardship, military service, or other special circumstances; no interest accrues on Federal Direct Subsidized and Perkins loans during deferment; contact your loan servicer to find out about deferment options⁷
- **Delinquent:** your loan enters this status the first day after you miss a payment; federal student loan delinquency is reported to the credit bureaus after 90 days⁸
- **Discharge:** you no longer have to repay all or part of your loan due to specific circumstances that may include total and permanent disability, the school you attend or from which you recently withdrew closes, death, forgery, or bankruptcy; contact your servicer to find out more about loan discharge⁹
- **Forbearance:** a period of time during which you do not have to make payments based on meeting eligibility requirements; interest continues accruing on all federal loans during forbearance¹⁰
- **Forgiveness (or cancellation):** you no longer have to repay all or part of your loan because you qualify for a specific loan forgiveness program; examples include [Public Service Loan Forgiveness](#) and [Teacher Loan Forgiveness](#); contact your servicer with questions about loan forgiveness¹¹
- **Grace period:** a set period of time during which you do not have to make payments so you can acclimate to your post-school life; for Federal Direct Student Loans, the grace period is six months after the student graduates, withdraws, leaves school, or drops below half-time enrollment¹²
- **Interest:** the cost of borrowing money that is expressed as a percentage of the unpaid principal loan balance; Federal Direct Loans accrue interest daily; the federal government pays the interest on Federal Direct Subsidized Loans while a student is enrolled at least half time and during the grace period and periods of deferment¹³
- **Loan servicer:** the company that collects loan payment and addresses issues and questions related to loan repayment; federal education loans are automatically assigned a servicer, and you can find your federal loan servicer on the [Federal Student Aid website](#)¹⁴
- **Principal:** money that you borrowed; interest accrues on this amount¹⁵

3. "Interest Rates and Fees for Federal Student Loans." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/understand-aid/types/loans/interest-rates#what-interest>.

4. "Interest Rates and Fees."

5. "Consolidating Your Federal Education Loans Can Simplify Your Payments, but it Also Can Result in the Loss of Some Benefits." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/consolidation>.

6. "Student Loan Delinquency."

7. "Student Loan Deferment Allows You to Temporarily Stop Making Payments." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/forgiveness-cancellation>.

8. "Student Loan Delinquency."

9. "Student Loan Forgiveness." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/forgiveness-cancellation>.

10. "Student Loan Forbearance Allows You to Temporarily Stop Making Payments." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance>.

11. "Student Loan Forgiveness."

12. "Student Loan Repayment." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/repayment#grace>.

13. "Interest Rates and Fees."

14. "Who's My Student Loan Servicer?" Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/manage-loans/repayment/servicers>.

15. "Principal." Federal Student Aid. Accessed September 13, 2022. <https://studentaid.gov/help-center/answers/topic/glossary/article/what-is-principal>.