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Dec (14) FedLoan Servicing - TheSimpleDollar.com

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FedLoan Servicing is one of the few approved federal student loan servicers that help you manage your student loans. It offers student loan repayment plans, loan forgiveness for qualified borrowers, consolidation and more. It also provides you with a library of educational resources and tools to help you better understand your student loan debt and repayment strategy.

Federal student loans are one of the most common vehicles for financing your post-secondary education. There are two main kinds of federal loans — subsidized and unsubsidized. The biggest difference is in how interest accumulates. Subsidized loans do not accrue interest while you are in school and during the first 6 months after you graduate (or are no longer attending classes). However, unsubsidized loans begin accruing interest on the day they are first disbursed.

Your student loans will be managed through a federally approved loan servicer, who will help you develop a sound strategy to repay your student loans and address any hiccups that might pop up.

Many Americans currently owe a bundle in student loans, but not all have a solid repayment plan. Nitro, an aggregate for student loan lenders that Americans currently owe a whopping [\\$1.5 trillion](#) in student loans and the average loan debt is over \$37,000. Although that amount can see...

daunting, that's where a federal student loan servicer, like FedLoan Servicing, can help — by finding a repayment plan that works best for you.

Paying back loans with FedLoans

Repaying your student loans with FedLoan Servicing is easy. The student loan servicer offers four different income-driven repayment plans. Each requires annual recertification. Payments can be as little as \$0, depending on your income and family size.

Its PAYE program generally reduces your payments to about 10% of your income and payments come with a term of up to 20 years. The IBR repayment plan similarly reduces your monthly payments, but payments are usually about 15% of your annual income. However, they can be 10%, if you're a new borrower. You can take up to 25 years under this plan to repay your loans. The ICR plan considers the lesser of either 20% of your discretionary income or the fixed amount you would otherwise pay over a 12-year period. The term is up to 25 years. The final plan is the REPAYE plan. It's based on 10% of your income with a term of up to 20 years. However, if you borrowed a direct loan for graduate or professional study, then the REPAYE term extends to 25 years.

There are a few things to remember. If you are married and file a joint tax return, then your spouse's student loan debt and income are also considered in most cases. Under all plans, you must recertify each year. If you don't, then your monthly payments will likely increase.

There are several advantages to using FedLoan Servicing as your student loan servicer. First, it gives you online access to your account where you can check loan balances, payment statuses, make a payment and more. It also has a mobile app for when you're on-the-go. Finally, FedLoan Servicing has seven ways to make a payment.

1. Advance payments
2. Automatic payments
3. Mail
4. Mobile app
5. Online
6. Phone
7. Third-party bill pay

Tip: If you set up a recurring automatic payment, you can get a 0.25% interest rate reduction.

What to do if you can't pay back federal loans

"My number one tip is to talk with the lender or servicer first," says [Mark Kantrowitz](#), a leading national expert on student loans. "Ignoring the problem will not make it go away. It may even get worse. For example, if you default on federal loans, you lose deferments and forbearances." Kantrowitz has a point. In fact, over the third quarter of 2019, nationwide student loan debt increased by \$20 billion from the previous quarter, according to the Federal Reserve Bank of New York.

When you miss even one payment, you are considered delinquent, but miss several payments and you'll find yourself in default, which can negatively impact your credit score. So, working with your student loan servicer is vital. Life has a funny or not so funny way of happening. You lose a job or a portion of your monthly income for one reason or another and now your budget is off. That's okay. There are ways your loan servicer can work with you until you are back on your feet.

How the situation is handled depends on the factors involved such as whether it is short-term or long-term, due to financial hardship, disability or etc. Options are available to meet your needs.

A deferment or forbearance, for example, might be a good option in some short-term situations. "These are temporary suspensions of the obligation to make payments on the loan," says Kantrowitz. "Interest may continue to accrue and will be capitalized — added to the loan, if unpaid. They are good options for medical or maternity leave," Kantrowitz explains. "Ask about alternate repayment plans, such as extended repayment and income-driven repayment. These reduce the monthly payment by stretching out the term of the loan. In particular," says Kantrowitz, "income-driven repayment bases the monthly payments on your income, as opposed to the amount you owe."

This may differ, however, if the long-term financial situation is due to a disability. Disabilities can be short-term, long-term or permanent. Kantrowitz has a suggestion for the latter two. "If the difficulty is due to a disability, you might be able to qualify for a total and permanent disability discharge."

The only way to determine which option might be right for you is to work with your loan servicer. Call them to discuss your situation and options.

Paying off loans faster with FedLoans

Your unsubsidized student loan begins accruing interest while you're in school and you have to option to pay the interest at this time. Paying interest gives you two benefits. First, this interest does not capitalize on your loan. Second, since it doesn't capitalize, repayment will be less than someone else who borrows the same amount but chooses not to pay the interest while in school. Paying the interest while in school, can shave thousands of dollars off the loan balance and help you repay your loans faster.

You can get help from your school's financial aid counselors or TRiO advisors, according to Todd Christensen, Education Manager at [Money Fit](#), a non-profit that offers credit counseling, personal finance education, and debt relief programs. Christensen suggests that you "check with your local TRiO that often offers free student loan repayment plan guidance." "Although you could turn to a third party for help, it's not always advisable and you'll need to do your homework.

"There is a difference between a hand holding company like nonprofit credit counseling agencies that charge up to a few hundred dollars for help filling out the right applications and even getting on the phone with your lender," says Christensen. Christensen also warns borrowers to be wary of "the scams and predatory companies that charge thousands of dollars to do not much more than provide you with an application to fill out and tell you where to send it. Run from the scams."

The bottom line

FedLoan Servicing offers many options to match your budget and may also be able to help you find a solution during short-term or long-term financial distress. However, communication and having a solid repayment strategy are the keys to success.

Sometimes paying off your student loans faster means paying on the interest while you're still in school. There are many ways to do this from working a few extra hours when you can to finding creative, new ways to boost your cash flow in. Use a student loan budgeting calculator for help. Don't forget to review your finances. After all, any good budget begins with knowing your assets — sources of money coming in.

Prioritize your monthly debts from most important to least important. Is there anything that you could do without for a while? This is one question that you can ask yourself when looking for new ways to find extra cash to repay your student loans sooner. Above all, work with your FedLoan Servicing advisor to find the solution you need.

Meta description: If you're looking for flexibility for repaying student loans, then FedLoan Servicing might have just the options you've been looking for.

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