Money Tip for Students, October 2019

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 the Kentucky Higher Education Assistance Authority (KHEAA) 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.

Several plans are available. 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 the state agency that administers Kentucky’s grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides financial literacy videos at http://itsmoney.kheaa.com and free copies of “It’s Money, Baby,” a guide to financial literacy, to Kentucky schools and residents upon request at publications@kheaa.com.

KHEAA’s sister agency, the Kentucky Higher Education Student Loan Corporation (KHESLC), offers low-cost Advantage Loans to help students and parents pay for college or to refinance student loans. For more information about Advantage Loans, visit www.advantageeducationloan.com.

For more information about Kentucky scholarships and grants, visit www.kheaa.com; write KHEAA, P.O. Box 798, Frankfort, KY 40602; or call 800-928-8926, ext. 6-7214.

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