



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Money Tip for Students, October 2020

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.

“This pandemic has created unprecedented challenges for Kentuckians, especially many of our students and young adults working to build their futures,” said Gov. Andy Beshear. “Please do everything you can to make loan payments on time, but also know that you have options if you’ve suffered financially due to COVID-19. If that’s the case, contact whoever is servicing your federal student loans to see what payment arrangements may be available to you.”

The U.S. Department of Education contracts with 10 loan servicing companies. If you don’t know who your servicer is, call the department at 1-800-433-3243.

One of the smartest things you can do is pay more than your scheduled amount. If you ask your servicer 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 agency that administers the state's grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides financial literacy videos at 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.

Many of KHEAA's student aid programs are funded by Kentucky Lottery receipts.

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