



IowaCollegeAid.gov

NEWS RELEASE

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Student Loan Repayment Date Quickly Approaching for Recent Graduates

As federal student loan default rates increase, it's pertinent for borrowers to stay on top of student loan debt

Des Moines, IA., October 22, 2013 –The first student loan payment date is quickly approaching for former students who graduated from college in May. This can be a worrisome time for new college graduates, especially as the U.S. Department of Education recently announced an increase in federal student loan cohort default rates. The national two-year cohort default rate rose from 9.1 percent to 10 percent for FY 2011 (the most recent available). Iowa's two-year rate is even higher, at 12.3%. Federal student loans are considered to be in default after 270 days of failing to make payments; private loans may go into default sooner. There are several steps borrowers can take to ensure they avoid default and stay on top of their student loan debt.

One of the biggest mistakes graduates make is not staying in contact with their loan providers, who need current contact information in order to send borrowers crucial deadlines and information. Students need to make sure they are staying well informed on such topics as: knowing which lender(s) they have, what the terms of their loan are, interest rates, grace period and more. "Borrowers should make contact with their loan servicers prior to their loans entering repayment," explained Karen Misjak, executive director of the Iowa College Student Aid Commission (Iowa College Aid) "That way they will have enough time to discuss the repayment plans and forgiveness programs available and to select the best option for their budgets."

A couple of options that are particularly helpful for new grads just starting out are the Pay-As-You-Go and Income-Based repayment plans which set monthly payment amounts as a percentage of the borrower's income. There are also other payment plans that allow graduates to make smaller payments during the beginning years of the repayment process or extend the length of their repayment terms. Debt can also be eliminated through federal and state student loan forgiveness programs in such fields as public service, teaching, nursing and select others.

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Borrowers also need to be strategic when making their loan payments. By paying more than the minimum payment each month, the principal amount of the loan will decrease more quickly. This reduces the amount of interest that accrues, saving the borrower money throughout the life of the loan. “Even as little as a few extra dollars per month can end up making a big difference in the total amount paid,” stated Misjak. Borrowers with multiple loans should prioritize paying off the loan with the highest interest rate first. Typically private loans will have higher interest rates and won’t offer as flexible of repayment options as federal student loans.

“The key to keeping student loan borrowers out of default is to make sure they stay informed about the terms of their loan and the different repayment options that are in place to assist them,” said Misjak. “Borrowers who are having trouble making payments should contact their lender or servicer immediately to discuss their options instead of waiting until they’ve already missed a payment. Defaulting on student loans is a serious financial mistake. The consequences of default are frightening and it will reflect adversely upon the borrower’s credit which will affect his or her ability to borrow money in the future,” said Misjak.

For information about types of student loans, repayment plans and tips on managing debt, visit www.IowaCollegeAid.gov or contact Iowa College Aid at 877-272-4456.

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About the Iowa College Student Aid Commission

Iowa College Aid provides college access, financial literacy, and outreach services to Iowa’s students and families as they prepare, plan and pay for college. Iowa College Aid also administers state scholarship, grant, work study, and loan forgiveness programs totaling over \$68.0 million annually, provides borrowers with assistance to avoid the serious consequences of default, conducts research and distributes higher education data, and offers Iowans assistance in obtaining student financial aid and college-related information. Through its role, Iowa College Aid also serves as the state-designated administrator of the U.S. Department of Education’s College Access Challenge Grant, which is designed to increase the college-going culture in Iowa. Additionally, Iowa College Aid is the administrator of the Federal GEAR-UP Grant, a multi-year state-wide grant which is being utilized to provide early awareness programming and outreach initiatives to thousands of Iowa’s students and families. More information is available at www.IowaCollegeAid.gov.