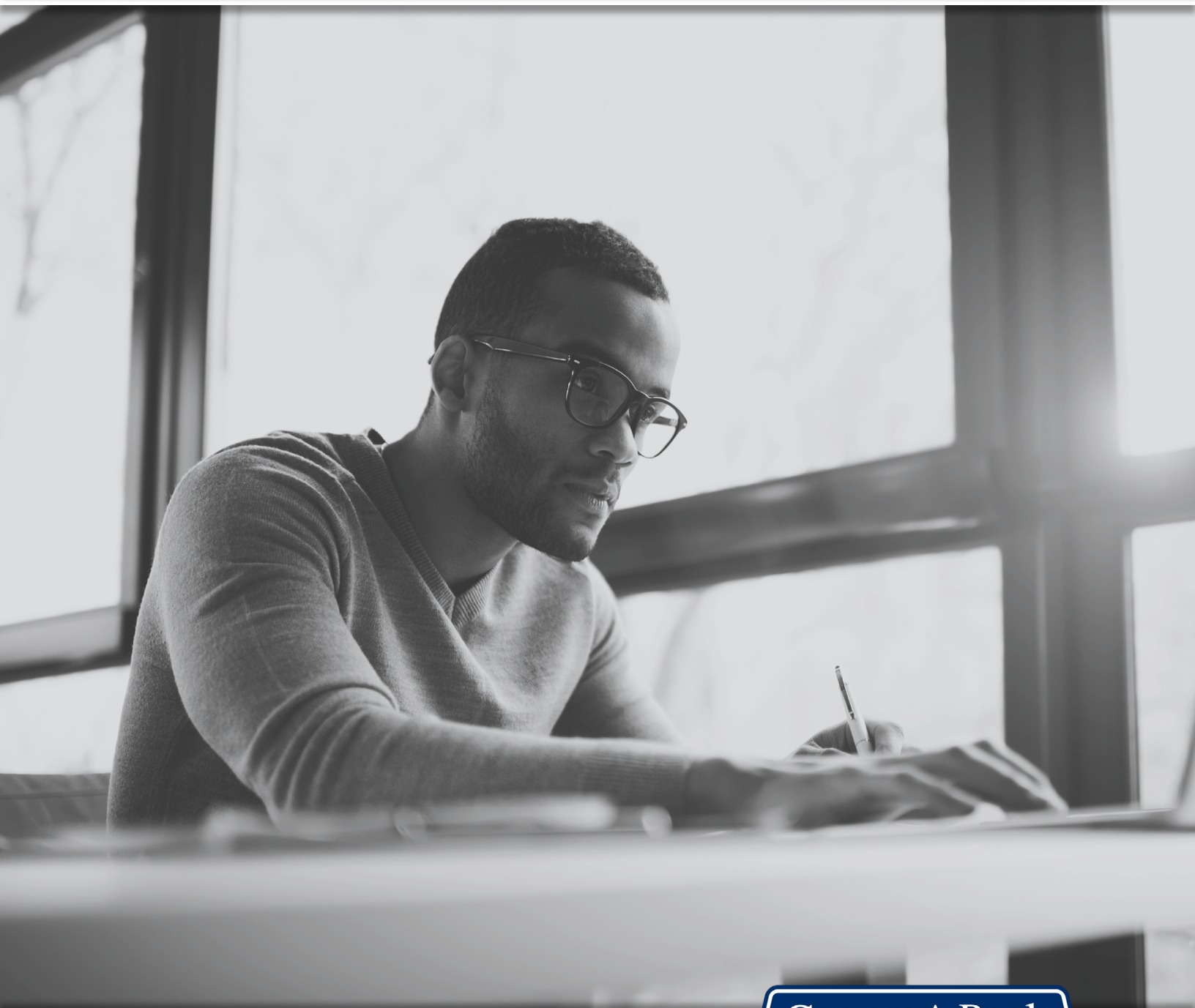


How to Repay Undergrad and Grad Student Loans



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Introduction

Many students leave college with thousands of dollars in student loan debt. According to the College Board®, 59% of student loan borrowers had between \$5,000 and \$39,000 of outstanding debt.

When you are paying off loans for both undergraduate and graduate school, the task may seem intimidating. But it is important to your personal finances to have an effective plan for repayment. Planning can help you discover

strategies to help you meet obligations and still achieve your financial goals.

Here are some tips for how to repay multiple student loans.



Choose a repayment plan that works for you

Earning a master's degree or other graduate certification can strengthen your profile as a job candidate for a higher-paying position. Or, the education and skills could give you more leverage when negotiating a raise with your current employer.

Either way, it is important to align your repayment strategy with the projected income you are expecting thanks to the graduate degree.

Fortunately, many student loan options offer various repayment plans to help borrowers to effectively manage their debt. For example, federal student loans can be repaid using:

- A standard plan with a fixed payment to pay off loans within 10 years.
- A graduated plan where payments start lower and gradually increase to meet the 10-year target.
- An extended plan that offers fixed, graduated payments to close the account within 25 years.



Other options exist, including several income-driven repayment plans that are designed to help those whose debt represents a significant portion of their earnings.

Many private student loans also make different repayment plans

available. To learn more about **student loans from Comerica Bank**, please contact your local Comerica Banking Center.

One thing to think about is enrolling in autopay. Doing so usually makes you eligible for

a discount, and is available for federal and private student loans. However, be particularly mindful of each payment date if you are managing multiple student loans so you don't risk issues like a bank account overdraft.



Prioritize high-interest debt

Repaying student loans consists of paying both the principal — the amount borrowed — and the interest, or what lenders charge to borrowers for the funds (a percentage of the total amount). The higher your interest rate, the more you pay in the long term, and with high-interest student loans, those costs can build up quickly.

When you have multiple student loans, ranking them by interest rate is the starting point for a number of different repayment strategies. Start with your federal loans, which are fixed and controlled by the government.

Next, gather information for your private student loans. While federal student loans typically offer the lowest interest rates, some private options may be even lower. This may be the case if you have a variable-rate student loan that rebalanced while rates are low.

When you have your list, consider using an established debt repayment strategy. One method to consider is the **avalanche strategy**: Make minimum payments on all debt, then use remaining funds in your monthly budget to further pay down the principal on high-interest student loans. Spreading extra money across debts may seem like good sense, but focusing on high-interest accounts allows you to neutralize them quicker.



Take advantage of forgiveness, deferral

Managing multiple student loans can be a challenge for anyone. If you have federal undergraduate or graduate student loans, there may be an easier path ahead, especially if you are having a difficult time meeting obligations on-time or at all.

Federal student loans have several features that can help if certain conditions are met. These include:

- Loan forgiveness that cancels student debt based on public employment or personal factors.
- Deferment or forbearance for those experiencing short-term financial stress.
- Decreased or temporarily reduced payments.

Typically, private student loans do not extend options like forgiveness. Talking with your lender about your financial situation, however, might bring to light potential remedies like reduced payments or other relief.



Consider refinancing or consolidation

Refinancing and consolidation are both widely used strategies for debt repayment:

- Refinancing entails taking out another loan to pay for your old one. This new account usually offers a lower interest rate or other more favorable repayment terms.
- Consolidation is the practice of combining multiple student loans into one loan with a fixed interest rate that is calculated using the average of your current student loan interest rates.

Refinancing is often best when you have stable finances and dependable income. Many who seek a graduate degree are already working professionals, which could make refinancing undergraduate and graduate student loans appealing. Importantly, you will need a good credit score to qualify for the most competitive interest rate, but the upside is potentially paying off loans faster.

Consolidation works similarly, but can be particularly advantageous for those managing multiple student loans. Federal student loans, for example, can be moved into a Direct Consolidation Loan that comes at no additional cost to the borrower. Consolidating private student loans is still possible, but it may come at a cost inclusive of fees and loan origination. Ultimately, consider what efficiency and budget breathing room you can gain by consolidating multiple monthly payments at various interest rates into one payment with a fixed rate.

Contact Comerica Bank to learn more about student loans

Student loans are a part of life for many long after they earn their degrees. Making a plan for repayment and managing multiple loans is essential to your personal finances. No strategy or awareness of features like forgiveness or refinancing may make it more difficult for you than it needs to be.

Want to learn more about student loans, repayment options, interest rates and other insights? Contact Comerica Bank today to get more information on our student loan options.



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Sources:

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