Managing Your Money: Understanding Your Student Loans

(NAPSA)—College may be costly but it tends to pay off in the end. The Bureau of Labor Statistics says workers with a bachelor's degree earn 65 percent more, on average, than those with just a high school diploma. As for the cost, taking five steps can help make student loan repayment simpler.

1. Use your grace period to get organized for repayment. Federal and most private loans come with a six-month grace period that begins when you graduate or exit school.

• Get your documents in order—remember to keep copies of any loan documents you sign. If you will make payments to more than one entity, be sure all your loans are accounted for.

• Know when payments are due and the amounts.

• Set up automatic payments to ensure timely payment and protect your credit.

• If you can, make payments while you're in school. This will help save you money over time, by reducing the interest that accrues and is capitalized.

2. Before signing up for loan consolidation, be sure you understand it. Student loan consolidation may be a good option to consider if you are interested in combining multiple private student loans into a new loan with a single monthly payment. Customers may benefit from a lower interest rate and potentially lower monthly payments. Repayment typically begins immediately, even for students still enrolled in school, and although monthly payments may be lower, you may pay more in interest over the life of the loan due to the extended repayment term.

3. Understand your repayment options.

• Keep in mind, for federal loans and Wells Fargo private student loans, there is no penalty for making larger payments than the monthly required minimum or paying off the loan earlier than the end due date. With a standard repayment plan, you pay the least amount of interest over the life of the loan.

• For federal loan borrowers, there are additional repayment considerations:

• Extended repayment may be based on a fixed or graduated repayment schedule over a period of up to 25 years.

• With graduated repayment you make lower payments at first, then gradually increase them.

• An income-sensitive repayment is adjusted annually based on your expected income from all sources.

• Choosing any of these plans means your payments are less each month; however, you may pay more interest over the life of the loan.

• Borrowers may also have the option to defer loan payments for an extended period of time, but beware of the interest that accrues when borrowers choose to defer making payments.

4. Keep in contact with your lender or loan servicer.

Notify the lender:

• If you change your name, address, phone number or e-mail.

• If you have graduated from or are going back to school.

• If you can't make your payments. A new plan may be arranged.

5. Learn more at Wells Fargo Education Financial Services online at www.wellsfargo.com/student/repay or call (800) 378-5526. For additional resources on repayment, go to www.wellsfargo.com/student/planning/calculators/alternative and www.wellsfargo.com/student/planning/calculators/interest.

Student loan borrowers should understand their rights and responsibilities.

	Student A	Student B
	Begins making payments once the grace period has expired and does not go into deferment.	Enters deferment immediately after grace period ends. Deferment period lasts for 12 months.
Amount due at beginning of repayment	$30,000	$30,000
Length of deferment/forbearance (in months)	0	12
Interest rate on loan	7.50%	7.50%
Principal balance due at end of deferment	N/A	$32,250.00
Repayment term in months (i.e. # of payments required)	120	120
Monthly payment	$356.11	$382.81
Total payments over life of loan	$42,732.64	$45,937.58
Total interest paid (from the point at which the grace period ends)	$12,732.64	$15,937.58
Amount saved by making payments immediately upon entering repayment, rather than choosing to defer or forbear their loan payments.	**$3,204.95**	

How much could a student be saving? In this example, two students borrowed federal student loans of $30,000 at a 7.5 percent interest rate. Student A reduced his cost $3,204.95 by making payments as soon as his loan entered repayment, compared to Student B, who deferred loan payments.