Are Student Loan Servicers Keeping You in the Dark?

Nonprofit credit, student loan counseling agency helps borrowers navigate repayment process; Reveals options servicers may not tell borrowers

PHOENIX – (Aug. 10, 2016) – With student loan debt reaching $1.26 trillion and affecting 43.3 million Americans, it’s no wonder many borrowers are falling behind. In fact, the Education Department reports more than 40 percent of those who borrowed from the government’s main student-loan program aren’t making payments or are delinquent.

“The long-term impacts of student loan default and delinquency cannot be overstated, but there is hope,” said Sarah Hamilton, student loan supervisor for Take Charge America, national nonprofit credit and student loan counseling agency. “The trick is to ensure you’re in the right repayment program, but this is easier said than done. Loan servicers are in the business of collecting payment – not educating borrowers.”

Hamilton details eight repayment considerations loan servicers may not share:

1. **Multiple loans**: Loan servicers only advise on the balances they hold. If you have multiple loans, your servicer will focus only on their individual loan without regard to other debts.
2. **Deferment/forbearance**: Your servicer may or may not know this, but you should use deferment or forbearance only as long as necessary – and only if you have no other options – bearing in mind you’re only allowed a total of 36 months over the life of your loan. Also, know that interest continues to accrue for certain types of loans in deferment or forbearance.
3. **Federal loan repayment options**: Servicers’ first job is to collect on debt, so they may not inform borrowers about options for lowering their monthly payment including income-driven repayment or loan consolidation. It’s wise to consult a nonprofit student loan counselor to understand your options.
4. **Tax status**: Married borrowers who file their taxes jointly may be at a disadvantage when it comes to loan repayment. Monthly payments for income-driven plans are based on income; a joint tax return will reflect your entire household income and may result in a higher payment. If you’re “married filing separate,” your payment will be based on your income alone. Your loan servicer may not know what’s best, but your tax preparer can advise you.
5. **Family size**: Monthly payments for income-based plans take your family size into consideration – but this isn’t necessarily based on the family size you claim on your taxes. Even borrowers who claim children every other year can include their dependents when applying for a repayment plan. Your loan servicer may not know this – or may not tell you – as family size will bring down your payment.
6. **Parent PLUS Federal Loans**: Your only repayment alternative for parent loans is an income-contingent plan, which sets your monthly payment at 20 percent of your discretionary income. Your servicer may not know it’s best to leave your Parent PLUS Loan(s) out of your consolidation so you don’t limit repayment options.
7. **Consolidation**: This may be your best repayment option, but your servicer may not recommend you consolidate your loans, or tell you that all past-due balances become current as soon as you
consolidate. Also, your servicer may not inform you that consolidation could allow you to qualify for additional repayment and forgiveness options that your individual loans may not qualify for.

8. **Loan forgiveness:** If you’re a teacher, work in nonprofit or hold a government post, you may be eligible for loan forgiveness. It’s unlikely your servicer will ask about your employment, so if you don’t know about this option, you may miss out on the opportunity altogether.

Borrowers seeking more information about student loan repayment may visit Take Charge America at [studentloans.takechargeamerica.org](http://studentloans.takechargeamerica.org) or call (877) 784-2008.

**About Take Charge America, Inc.**

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit [www.takechargeamerica.org](http://www.takechargeamerica.org) or call (888) 822-9193.

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