Take Charge America Busts Myths of Federal Student Loan Repayment Programs

Nonprofit credit and student loan counseling agency explains truths about eligibility, credit and repayment options

PHOENIX – (Aug. 11, 2015) – Student debt is a norm among today’s college graduates, and not surprisingly, more and more borrowers are struggling to repay that debt. Although there are many federal loan repayment programs designed to help consumers pay off their debt, many graduates do not realize they’re eligible for these programs.

“There are several myths about student loan repayment that keep borrowers from pursuing alternative repayment programs as they struggle to make payments or even fall into delinquency,” said Student Loan Counselor Jessica Ferastoaru with Take Charge America, a national nonprofit credit and student loan counseling agency in Phoenix. “They don’t realize there are many options that could help them get a handle on their loans and safeguard their financial future.”

Ferastoaru shares the truth behind the top five myths surrounding federal student loan repayment:

1. **You don’t have to be delinquent to qualify:** Despite popular opinion, borrowers don’t have to be behind on their student loans to be eligible for repayment programs. Borrowers who have a good payment history can still choose from an alternative repayment plan. These federal repayment programs can be used to keep borrowers’ payments affordable so that they do not become delinquent.
2. **You don’t have to have good credit to qualify:** While it is important to maintain good credit in many financial situations, borrowers do not need to have good credit to qualify for federal student loan repayment programs.
3. **Repayment isn’t always limited to a certain loan type:** While many people believe only a handful of federal loans are eligible for alternative repayment programs, it’s possible for borrowers with ineligible loans to consolidate their loans into the Direct Loan program in order to take advantage of other, more beneficial repayment programs.
4. **Postponement isn’t the only option:** When many people think about alternative repayment programs, they only consider loan deferment or forbearance, but there are many other options to consider:
   - **Pay As You Earn** and **Income-Based Repayment** reduce monthly payments based on a percentage of the borrowers’ discretionary income (10 percent and 15 percent, respectively) and forgive remaining balances after a set number of payments.
   - **Direct Consolidation Loans** combine multiple federal loans that may have different terms, repayment schedules or lenders, and offer a fixed interest rate based on the weighted average of the interest rates of the loans being consolidated.
   - **Loan Rehabilitation** was created for borrowers with defaulted federal student loans.
The lender and borrower agree on a reasonable payment plan for nine consecutive payments over a 10-month period, after which time the loan is removed from default and may become eligible for more programs.

- **Public Service Loan Forgiveness** applies to people who work full-time public service jobs – for the government, military, public schools or not-for-profit organizations. It requires them to make 120 qualifying payments on their loans before the remaining balance is forgiven.

Borrowers seeking more information about federal loan repayment options may visit Take Charge America at 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 or call (888) 822-9193.

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