



NEWS RELEASE

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Iowa College Aid Offers Tips to Recent Grads on Managing Student Loan Debt

Communication, knowledge key as student loan grace periods end for recent grads this month

Des Moines, IA., Nov. 2, 2015 – After walking across the stage in May, college graduates of the Class of 2015 have conquered many firsts – securing a college degree, landing a first job and finding affordable housing to name a few. Making their first student loan payments will soon be a new first for May grads to add to that list. November marks the end of student loan grace periods for borrowers who graduated this past spring and their Federal Direct Student Loans will soon enter repayment. The Iowa College Student Aid Commission (Iowa College Aid) offers the following advice to help borrowers manage their student loan payments and avoid default.

1. **Know what you owe, and contact your servicers.** One mistake graduates make is not staying in contact with their loan servicers and providing current contact information. Borrowers should contact their loan servicers prior to repayment so they know what to expect.
2. **Choose a repayment plan that fits your budget.** Programs such as “Pay As You Earn” and other income-driven repayment plans base monthly payments on a borrower’s income. But borrowers need to discuss options with their loan servicers. They won’t automatically be set up on an income-driven plan.
3. **Look into forgiveness options.** Debt can also be eliminated through federal and state student loan forgiveness programs for those working in fields such as nursing, public service, teaching and other high-need career fields.
4. **Be strategic when paying off loans.** There is no penalty to paying off student loans early. Even a few extra dollars per month can save borrowers a significant amount of money over the life of the loan.

One thing borrowers should not do is ignore their loans.

“Defaulting on student loans hurts borrowers in the short- and long-term,” said Karen Misjak, Iowa College Aid Executive Director. “Default immediately impacts credit history, but can also increase the amount due on the original loan because of late fees, additional interest, court costs, collection fees and other costs associated with the collection process.”

Recent numbers from the U.S. Department of Education showed that, nationally, student loan default rates (meaning that a loan payment has not been made for 270 days) dropped to 11.8 percent from 13.7 percent in the most recent year’s numbers, equating to some 600,000 borrowers defaulting on their student loans within the first three years of graduation. Iowa has seen an even greater decline in default rates, dropping to 13.1 percent from 17.3 percent in the same time period.

“The key to keeping student loan borrowers out of default is to make sure they stay informed about the terms of their loans and the different repayment options that are in place to assist them,” said Misjak. “Borrowers who are having trouble making payments should contact their loan servicers immediately to discuss their options instead of waiting until they’ve already missed a payment. Defaulting on a student loan 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 \$70.0 million annually, 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.