

## Fact Sheet: Borrowing for Success

### Minimizing and Handling College Debt

College can be a big expense, but it's one that pays for itself many times over in the form of higher wages and increased job opportunities.

But your total college debt – including student loans and credit cards – will have a definite impact on your life after college. Borrow now, pay later. With most loan repayment schedules taking 10 years, many college graduates make loan payments until they're 32 years old. Or, think of it this way, if you had borrowed money to attend kindergarten, and started repayment in the first grade, you would finish paying off your loans...right about now!

### Borrow Wisely

There are many differences in credit card debt and education loan debt. Education debt can actually be an example of "good" debt when you handle it right. When you get loans for your education, you are investing in your future. Though education debt can be "good", it's still wise to borrow as little as possible – just what you really need.

### Borrowing Now Means Paying Later

- All borrowing affects your life after college. Smart borrowers accept only the loan amount they really need, even if qualified for more.
- Most people take 10 years or more to repay their student loans
- If you had borrowed money to attend Kindergarten, you loans would finally be paid of – right about now!

### Repaying Student Loans

Repayment normally begins when you graduate or drop below half-time enrollment. Typically, you have a six-month grace period before repayment starts, which gives you time to find a job and start earning money. During the grace period, interest continues to accrue on unsubsidized loans, so if you have the income, it's best to go ahead and start repaying your loans.

Using an average student loan debt of approximately \$18,000 after 4 years, for example, up to \$800 in loan interest may be added during the grace period to increase the total you owe.



### Student Loan Payment Plans

- **Standard Repayment Plan** – you pay a fixed amount each month for up to 10 years based on the total amount you borrowed. This means a minimum payment of at least \$50 per month over 12 to 30 years. You will repay a higher total amount because the interest accrues over a longer amount of time.
- **Extended Repayment Plan** – you pay a lower monthly amount, but at least a minimum of \$50, over 12 to 30 years. You will repay a higher total amount because the interest accrues over a longer amount of time.
- **Graduated Repayment Plan** – your payment amount increases every two years. Like the Extended Plan, the period ranges from 12-30 years, and you end up paying more interest than in the Standard Plan. The main benefit is that payments are lower when you are younger and are earning less money, and increase as you get older and – ideally – earn more money.
- **Income Contingent Plan** – monthly payment is based on your yearly income, family size, and loan amount. After 25 years, any amount remaining on the loan will be forgiven, but you may have to pay taxes on that amount.

Your lender also may offer repayment benefits that can save you money. Consult your lender for more information. And remember – you can pay off any student loan early and save thousands of dollars in interest! Other loans have policies that vary.

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