

Student Loan Advice from the

Minnesota Office of Higher Education

Nationally, one in five families has a student loan.

We have some advice on how to handle them.

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Children and those planning to go to college – Save, save, save! The money you save now will help you avoid debt later. The [Minnesota College Savings Plan](#) is a good option – you will not pay income tax on the interest on these savings if you use the money for college.

Challenge yourself in high school – prepare for college while increasing your chances of graduating in four years. Take Postsecondary Enrollment Options and Advanced Placement courses, they can give you college credit. To be sure courses successfully transfer into institutions, take courses on the [Minnesota Transfer Curriculum](#).

Current students – Live frugally. Minimize the amount you borrow. You should avoid borrowing more than you will earn in your first year working.

Federal student loans – Do your research. The loans with the best interest rates and the most borrower-friendly repayment terms are federal Stafford Loans. Even if other loans have lower interest rates to begin with, the federal Stafford Loans have repayment options that give you the most flexibility.

SELF Loan – Be cautious about private student loans. The repayment terms on private loans are not as favorable as federal Stafford Loans. Minnesota has a good state loan for those who need to borrow more than the federal loan limits, called the SELF Loan. www.selfloan.state.mn.us

Graduating students or those who drop out – If you do not have the money to make your loan payments, *do not ignore the Emails and letters about the loans!* There are income-based repayment or “pay as you earn” repayment plans. You also may qualify for a period of not paying your loan (deferment) if you are unemployed or in economic hardship.

Repayment plans – Pick a repayment plan with low monthly payments. If you can, pay more as you go along. *Paying an extra \$10 to \$20 a month can save you a lot in interest.* Changing to a standard 10- or 20-year repayment plan may save you money in interest over time.

If you are struggling to repay – *Do not ignore the Emails and letters about the loans!* There are payment plans that are based on your income.

Refinancing to get a lower interest rate – Refinancing is not easy with student loans. Consolidating your loans with the U.S. Department of Education will get you the *best available rate* on your federal Stafford and Perkins Loans. For private student loans, check with your lender, but few lenders offer refinancing.

Defaulting on student loans – Contact the U.S. Department of Education or your lender to arrange a payment plan. **If you rehabilitate a federal loan, the loan default will usually be removed from your credit report.** If you have defaulted on federal student loans, you will not be able to get federal Pell Grants and new federal loans for more education *unless you rehabilitate the loans.* The laws on student loans make it unlikely you will have them discharged in bankruptcy.

If your loans are in default and you don’t agree to a payment plan, your loan will be sent to a *collection agency and you will have to pay substantial fees* in addition to what you already owe. *A better option is to contact the U.S. Department of Education or your lender and establish a payment plan.*

If you are having trouble resolving student loan payment problems, consider contacting the federal [Student Loan Ombudsman](#). If you are having trouble resolving private student loan payment problems, consider contacting the [Private Student Loan Ombudsman](#).

If you have more questions please contact our office:

Main phone: (651) 642-0567 or (800) 657-3866

Financial Aid: (651) 642-0567 or (800) 657-3866