



# ALASKA'S SOURCE FOR COLLEGE & CAREER FUNDING & EDUCATIONAL PLANNING RESOURCES

## Planning for Repayment

It's important to understand how a loan's terms will affect repayment before you borrow. Education loans may seem the same, but can be very different. Every loan you borrow could have different interest rates and repayment terms from one year to the next. Some lenders may even alter terms at different points in a single year.

### What makes loans different?

- The loan has the same name, same lender, but it's for a different school term.
- It's the same school term, and lender, but the loan has a different name.
- It's the same school term, but a different lender.

### Consolidation

One option for simplifying your loan payments is to consolidate loans by loan type and lender. This means consolidating all federal loans into one loan, and all Alaska State supplemental loans into another.

When consolidating is not in your best interest:

- The current consolidation interest rates are higher than the interest rates on your existing loans.
- If consolidation cuts down on your repayment options.

### Considerations for Repayment

Your monthly student loan payments should not exceed 8-10% of your monthly salary. In the above example you will need an annual salary of a little more than \$52,000 to be able to repay a debt of \$40,000 to stay in that 8-10% of monthly salary range..

It is always wise to research your earning potential for prospective majors before you borrow for your education or training. For help researching prospective salaries, check out the AKCIS 360: [www.akcis.org](http://www.akcis.org)

### Repayment

There are many options to consider prior to taking out an education loan and identifying your repayment plan is an important consideration. There are also various types of repayment programs that may be applicable to you depending on the type of loan, degree program, income, and more.

It's important to do your research on loan forgiveness and loan repayment programs, public service loan forgiveness, and income driven repayment options, just to name a few.

Remember - if you take out an education loan it is considered a debt that needs to be repaid.