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# Nonprofit Guidewell Financial Solutions Dispels Six Student Loan Myths:

## Having a Plan and Knowing the Facts Save Money and Stress

*Staff members at nonprofit Guidewell Financial Solutions (also known as Consumer Credit Counseling Service of Maryland and Delaware, Inc.) shed light on six common student loan myths.*

**(BALTIMORE, MD)** Many students leaving home for college this month are already student loan borrowers. Research shows their ability to manage loan debt will depend on how informed they are. But separating fact from fiction isn't always easy, so nonprofit Guidewell Financial Solutions asked its certified student loan counselor as well as staff members who are student loan borrowers to share their thoughts on six student loan myths.

**Myth #1 – You don't need to worry about your student loans until you graduate.** A 2016 Sallie Mae study shows that students who take the time to research and plan before borrowing owe one-third less when they leave school than those who don't.

Finding alternative ways to finance college is one way to owe less: Guidewell Financial Outreach Representative Victoria Herr pays for her education with scholarships and part-time jobs. She says this takes more work, "but saves a lot of money, and it feels great knowing I won't have outstanding debt to deal with after college."

When student loans are the only way, certified student loan counselor Glenn Smith recommends, "Do the math. Set a limit on how much debt you're willing to pay back after graduation. Rule of thumb: You'll end up repaying about $100 per month for every $10,000 you borrow."

**Myth #2 – Interest on student loans doesn't start until you graduate.** Failing to review loan terms before borrowing can lead to unsettling surprises, because features vary.

Administrative Support Representative Rija Arshad says she initially didn't realize there was a difference between subsidized and unsubsidized loans. "Then I discovered unsubsidized loans begin accumulating interest the minute you take them out – not when you begin repayment. It pays to read the fine print and ask questions."

**Myth #3 – If you're in trouble, student loan servicers won't help.** Administrative Support Representative Adrienne Ayala says reality hit when she left school this past semester. "When I got the letter saying my student loan deferment would soon be up, I felt really stressed. I'd just moved out on my own and had lots of new expenses.  I'm still not sure how I'll make ends meet and pay back what I owe."

Adrienne isn't alone. Students who leave school jobless or underemployed often face an uphill battle when deferment ends.  In this case, Smith recommends: "Contact your student loan servicer before they contact you.  Many borrowers believe their servicers won't help, but this simply isn't true. There are programs for every loan situation."

Guidewell Financial also offers reliable, affordable student loan counseling that can help borrowers find out where they stand financially, set up a budget, get answers to their loan questions, and evaluate viable repayment options.

**Myth #4 – It always pays to refinance or consolidate to reduce your payment.** Refinancing or loan consolidation may seem like an attractive option to financially struggling borrower who hope to lower their payments.  Smith says these strategies sometimes work – but not always.

"Refinancing with a third-party source may lower borrowers' payments, but it can also eliminate valuable Federal loans benefits, such as deferments, income-based repayment, Public Service Loan Forgiveness (PSLF), and cancellation. Consolidation allows borrowers to combine loans into a single monthly payment and offers other advantages, but it may also affect loan benefits.  Smaller payments aren't necessarily better.  They take longer to repay and may therefore lead to more interest."

**Myth #5 – If you ignore your student loans, they will eventually go away.**  Financially stressed borrowers may be tempted to ignore their situation, but Smith warns against this.  "If you fall behind on loans, they may be placed into default.  Then your wages can be garnished and your Federal tax refunds can be seized.  This will also ruin your credit and make you ineligible for future loan benefits.  Ninety-nine percent of student loans cannot be discharged through bankruptcy."

**Myth #6 – It's impossible to repay everything you owe.**  Student loan debt may seem overwhelming, but Accounting Specialist Matt Cross says, "It's doable." His advice?  "Check out online resources and talk with other people who have been through repayment.  Also consider taking advantage of our agency's free budget and credit counseling or schedule a student loan counseling appointment.  Paying a hundred dollars for a counseling session led by a certified student loan counselor is a small amount to pay for peace of mind!"

Visit Guidewell Financial's website to learn about the agency's services. Call **1-800-642-2227** to schedule a counseling appointment. Follow Herr, Arshad, Ayala, and Cross's student loan stories on the agency's Facebook page starting Monday, August 15.

## About Guidewell Financial Solutions

*Guidewell Financial Solutions (also known as Consumer Credit Counseling Service of Maryland and Delaware, Inc.) is an accredited 501(c)(3) nonprofit agency that helps stabilize communities by creating hope and promoting economic self-sufficiency to individuals and families through financial education and counseling. Maryland License #14-01 / Delaware License #07-01*