

Common Student Loan Myths

If you have federal student loans, demystifying their common myths can help you in the long-run. Can you separate myth from fact?

MYTH: Great Lakes, FedLoan Servicing, Navient, and/or Nelnet own my student loans.

FACT: Lenders, like the U.S. Department of Education or banks, own your loan.

Great Lakes, FedLoan Servicing, Navient, and Nelnet are student loan servicers. They're the connection between you and the lender.



Part of what student loan servicers do is:

- Monitor your school enrollment and status while you're in school.
- Accept and process your loan payments on behalf of the lender.
- Assist you as you pay back your loans.
- Keep you up-to-date with information about your student loans.
- Originate and service your federal direct consolidation loans, as requested.

MYTH: Great Lakes, FedLoan Servicing, Navient and/or Nelnet controls my student loan interest rate and profits from the interest.

FACT: Your student loan servicer and/or originator can't control your student loan interest rate and can't profit from it.



For federal student loans, the interest is determined by the Higher Education Act as enacted and amended by Congress. Interest paid on federal loans either goes to the U.S. Government (for Direct loans) or the individual lender (for Federal Family Education Loans). Also, in general, loan owners control any rate reductions you may get for using an electronic payment method.



For private student loans, the interest rate is determined by – and earnings go to – individual lenders, like a bank or credit union.

MYTH: I need to pay a fee to sign up for automatic payments, or apply for loan consolidation or an income-driven repayment plan.

FACT: You should never have to pay a fee for the same help that's provided for free by your student loan servicer.



At times, it may feel like your student loans are an overwhelming burden. Remember, your servicer is there to serve you. Stay in touch. Ask questions. Lean on them for help and expertise.

MYTH: I don't have to pay back my student loan if I can't find a job after graduation.

FACT: Yes, you're still required to pay back your loans. But, there are repayment options that can help.

There are numerous repayment options that can help if you're unemployed.

-  Income-based repayment plans base your monthly payment amount on your income and family size. Your loan payments could be as low as \$0 a month.
-  A deferment temporarily postpones your payments, but, interest will still accrue. Who pays for the interest is dependent upon whether your loan is subsidized by the government (they pay the interest) or unsubsidized (you pay the interest).

MYTH: I don't have to think about my loans until it's time to pay them back.

FACT: It's in your best interest to track your loans right from the beginning.

-  Tracking helps prevent any misunderstanding about the types of money you've received for your education (e.g., loans you have to pay back vs. grants you don't). Visit the National Student Loan Data System (nslds.ed.gov) to identify your federal loans and your loan servicer. If you also have private student loans, you can get an annual free copy of your credit report (annualcreditreport.com) to identify them.
-  Stay in touch with your servicer by exploring any available websites and social media channels. Also, let your servicer know of any changes to your contact information (telephone number, email address, mailing address) so you don't miss important communications on your student loans.

MYTH: Past due payments cannot affect my credit score.

FACT: Yes they can.

-  Past due payments (also known as delinquency) can be reported to the national consumer reporting agencies at any time, and under certain circumstances can negatively affect your credit rating.
-  Don't wait to take action to fix past due payments! Contact your servicer for help in understanding your options, like applying for an income-based repayment plan that may be able to reduce your monthly payment to as low as \$0.

MYTH: Past due payments cannot affect my ability to obtain services or other loans and their interest rates.

FACT: Yes they can.



Past due payments can be something that companies look at before they agree to rent you housing or allow you to subscribe to a service, such as mobile phone service.



Past due payments can also influence the ability to get the lowest rate possible for insurance, and may affect the interest rate you're offered on other loans or mortgages.