



Consumer Financial
Protection Bureau

CONSUMER ADVISORY: STOP GETTING SIDETRACKED BY YOUR STUDENT LOAN SERVICER

Over the last several years, many Americans have been able to save on monthly payments on their mortgages and other loans by refinancing to the low interest rates available in the market.

Unfortunately, with few refinancing options, many student loan borrowers tell us they feel stuck in loans with high rates, well after they've graduated and landed a job.

Since many borrowers can't refinance, one of the only ways to avoid paying unnecessary interest is to pay their high-rate loans off more quickly. According to the Truth in Lending Act, your lender or servicer cannot assess any penalties or fees if you prepay your private student loan.

Recently, we released a [report](#) that describes how the payment processing policies of private student lenders and loan servicers may be sidetracking responsible borrowers looking to pay off their loans more quickly. If you have several loans associated with the same loan servicer (the company that sends you a bill each month) and you don't provide instructions, your servicer will generally decide how to allocate your payments in excess of the amount due. Leaving this decision up to them isn't always the best choice.

Your student loan servicer should listen to your instructions about which loan your additional payment goes toward when you submit your payment.

Here's why providing instructions to your servicer can be a good idea:

- If you direct any extra money to your highest interest rate loan first, you may save hundreds of dollars or more in extra interest payments and you may be able to get out of debt faster.
- If you don't tell them what to do, your servicer will apply extra payments as they see fit, in most cases spreading your money out across all of the loans on your account.
- This means that you'll pay down your debt slowly, and you'll pay more money in interest over the life of your loan.

To help you explain to your servicer what it should do with your money, we've put together some sample instructions you can send to your servicer to ask them that they direct any extra payments toward your highest-rate loan. Helpful servicers will generally accommodate your request. You'll want to be sure your servicer responds to your request so you know if you need to send additional instructions.

You can download [a sample letter](#) to mail to your servicer, or you can use the text below to provide instructions using the "Send a Message" or "Contact Us" feature when you log into your account on the servicer's website:

I am writing to provide you instructions on how to apply payments when I send an amount greater than the minimum amount due. Please apply payments as follows:

1. After applying the minimum amount due for each loan, any additional amount should be applied to the loan that is accruing the highest interest rate.
2. If there are multiple loans with the same interest rate, please apply the additional amount to the loan with the lowest outstanding principal balance.
3. If any additional amount above the minimum amount due ends up paying off an individual loan, please then apply any remaining part of my payment to the loan with the next highest interest rate.

It is possible that I may find an option to refinance my loans to a lower rate with another lender. If this lender or any third party makes payments to my account on my behalf, you should use the instructions outlined above.

Retain these instructions. Please apply these instructions to all future overpayments. Please confirm that these payments will be processed as specified or please provide an explanation as to why you are unable to follow these instructions.

Thank you for your cooperation.

You'll want to save the message you sent for your records.

For most borrowers, it makes sense to direct any extra payment toward your loan with the highest interest rate – this is the fastest way to save the most money over the long term. For other borrowers, saving the most money might not be their main goal. You may be interested in paying extra each month on certain loans in order to improve your credit profile, qualify for a mortgage, or eliminate a monthly bill. You should weigh all of your options.

To submit a complaint, visit www.consumerfinance.gov/complaint.

If you have questions about repaying student loans, check out our repayment tool [Repay Student Debt](#) to find out how you can tackle your student loan debt.

For more information on private student loans and other consumer financial products or services, visit “Ask CFPB” at consumerfinance.gov/askcfpb/.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.consumerfinance.gov.