



ACTION GUIDE FOR SERVICEMEMBERS WITH STUDENT LOANS

Consumer Financial
Protection Bureau

Are you a servicemember with student loans? Then you could have benefits that could save you thousands of dollars. Some benefits apply to federal student loans, others to private student loans and some are available regardless of the type of student loan you have. The choices you make while repaying your loans can be confusing, so start with these three steps.

STEP ONE: LOWER YOUR INTEREST RATE FOR ALL OF YOUR LOANS.

If you are currently serving on active duty, you are eligible to have your interest rate lowered to 6 percent on all student loans taken out prior to your active-duty military service. This benefit applies to both your federal and non-federal (private) student loans and is available for all servicemembers on active duty, regardless of where you serve.

- To reduce your interest rate to 6 percent under the Servicemembers Civil Relief Act (SCRA), contact your loan servicer and ask about this option directly. You will need to send a written request to your servicer plus a copy of your orders calling you to active duty. You can submit your request at any time during your active-duty service or up to 180 days after leaving active duty, and the interest-rate reduction must be applied retroactively for the whole period of active-duty service.

STEP TWO: MANAGE YOUR FEDERAL STUDENT LOANS.

CONSIDER INCOME-BASED REPAYMENT (IBR) AND PUBLIC SERVICE LOAN FORGIVENESS (PSLF):

IBR and PSLF are two of the best options to repay federal student loans. [IBR](#) ties the amount of your monthly payment to your income and family size. [PSLF](#) can forgive any remaining balance on federal student loans after you make 10 years of on-time qualified payments while working full-time in public service, like active-duty military service or service with the government or certain non-profit organizations.

If you think you may spend a decade or more in the military, or pursue a public-service job after leaving the military, it is important to enter into IBR as soon as possible because each payment you make under IBR counts as a “[qualifying monthly payments](#).” Making qualified monthly payments is important under PSLF because after you make 120 on-time qualified payments your loan balance can be forgiven.

If you leave the military but plan to pursue another public-service profession, like becoming a teacher or a civilian government employee, you may still be eligible for PSLF. But if you leave military service and don’t pursue another career in public service, you should be aware that you may have to pay back your loan in full. If your income increases too much, you will no longer qualify for IBR, so your payments will increase to the standard monthly repayment amount for your loan. But for those borrowers whose income remains low, you may still remain in IBR. If you repay under IBR for 25 years, and meet certain other requirements, any remaining balance on your loan can be cancelled.

- To get started on IBR, contact your servicer. Check your servicer’s website to learn how to enroll. Your servicer will probably ask for proof of your income to determine your payment. You should have a tax return or a pay stub you can provide.

TIP: For federal student loans, consider IBR before you enroll in options that postpone your monthly payments such as forbearance or military deferment. While completely postponing payments may seem like an attractive option, if you enroll in IBR you can keep your payments low and, if you continue to make on-time payments and continue your military service for 10 years or enter another full-time public service job, your loan will be forgiven. If you opt for forbearance or military deferment (for unsubsidized loans) your total loan amount can rapidly grow because interest charges will continue to be applied even though your payments are being deferred.

Check out the Department of Education’s [IBR calculator](#) and [IBR fact sheet](#) for precise payment amounts and more information.



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OTHER FEDERAL STUDENT LOAN OPTIONS: MILITARY DEFERMENT AND PERKINS LOAN FORGIVENESS.

Military deferment is available for federal student loans if you're serving on active duty or if you're in the National Guard either deployed, or full-time and your service is during a time of war, military operation or national emergency. If so, you can defer your monthly payments during your active-duty (or full-time National Guard service), and for up to 180 days after you leave service. But, be aware, if you have an unsubsidized federal student loan, the unpaid interest will cause your total debt to grow. As a result, at the end of your period of deferment, you will end up owing more than when you started. Learn more about deferment for students, servicemembers, and other special situations [from the Department of Education](#).

Remember, military deferment doesn't make your loans go away—and can mean that you will owe a lot more once you start to repay your loan.

For borrowers with Perkins Loans—a special type of federal student loan made directly by your school-- there is another military-related benefit. A **Perkins Loan is eligible for principal reduction** for those who serve in “an area of hostility” for 365 consecutive days. Generally, you know you are serving in an area of hostility when you are receiving hostile fire/imminent danger pay, and to be eligible for principal reduction, you have to be serving in the hostile area for 365 days, continuously. If you are eligible, your loans will be reduced for each qualifying year and will be completely cancelled after five qualifying years. [The five years don't have to be continuous.] Year-by-year, you can expect that for your first and second years of eligibility 15 percent of your principal loan amount will be cancelled each year. For your third and fourth years 20 percent will be cancelled each year, and in your fifth year the final 30 percent will be cancelled.

STEP THREE: MANAGE YOUR PRIVATE STUDENT LOANS BY PAYING WHAT YOU CAN.

Once you've reviewed your options for your federal student loans, you should next consider how to best manage your private student loans. [Remember, IBR and PSLF are not available for private loans.] While you're serving on active duty, depending on the terms of your loan, you may be eligible to postpone payments on your private student loans through deferment or forbearance options. This may offer short-term relief if you're having trouble making ends meet. The specific terms and conditions of these alternative payment plans, where available, can vary, but for most private student loans interest will continue to accrue once you suspend your payments—this means that your debt will start to grow. In many cases, your total debt can increase by thousands of dollars or more.

→ **Most servicemembers may be better off paying their private student loans back if they can.** If you can't afford to repay your loan while you're on active duty, ask your servicer about interest-only payments instead of deferment or forbearance. This will stop your loan balance from growing and may still provide you with some short-term relief.

You should only suspend your monthly payments on your private student loans as a last resort—and don't forget that this will cost you much more in the long run.

IF YOU RUN INTO TROUBLE, CONTACT AN ADVOCATE OR FILE A COMPLAINT.

Make sure you understand your options.

→ **Contact your Judge Advocate General for assistance.** A JAG can help you properly word your SCRA request and make sure you meet the technical requirements set forth in the SCRA. To find the JAG Legal Assistance attorney nearest to you, use the [Armed Forces Legal Assistance Locator](#).

If you have trouble with your servicer and believe they are not properly servicing your loan, or just want more information from your servicer about how your loan has been serviced, you can contact the Consumer Financial Protection Bureau and file a complaint at www.ConsumerFinance.gov/complaint/.