



Step Two: Crush Your Federal Student Loans That are Crushing You



“By making college unaffordable and student loans unbearable, we risk deterring our best and brightest from pursuing higher education and securing a good-paying job —
Mark Pocan, United States House of Representatives

As of this writing, student loan debt totals about \$1.4 trillion represented by about 45 million people.



The Good During the Obama Administration, Congress enacted a program whereby, upon graduation, people with federal student loans (not private) can consolidate their loans directly with the Department of Education. There are some great income-based and debt forgiveness programs available.

The Bad Unfortunately, the administration did not do a good job of promoting the program and all its amazing benefits to the masses. Also, there are shysters who prey upon honest desperate people saddled with massive student loan debt and no way to pay it back. These crooks offer to consolidate student loan debt at exorbitant fees and often will skip town and leave their clients high and dry.

The Ugly Parent PLUS loans are federal student loans co-signed by parents or grandparents. Remember the line, *It's a hard world to get a break in*. There are so many people with federal student loans who leave college and are unable to find gainful employment and carve out a living, let alone pay off what can amount to be crushing debt.

Guess who must make that monthly payment? Yep. Mom and Dad. Grandma and Grandpa. And don't think for a moment the government won't garnish the money out of their social security checks.

They will.

Not a good scenario during those holiday family dinners.



Take a deep breath and smile. There's hope and salvation for you if you are burdened with student loan debt. I know. I consolidated mine when I was mired in the black icky stuff. I'm not going to say what I owed. I'm too embarrassed at my stupidity. But for a while my monthly payments were \$0.00. That's not the case now, as I'm back on track, but my payments are still significantly lower than before consolidation.

As of this writing there are at least seven programs available through the Department of Education. I'll highlight one of the most popular options, which is the one I use.

[Income-Based Repayment \(IBR\)](#) This plan factors in the following and estimates your new monthly payment:

1. Your federal student loan balance
2. Interest rate of your loan(s)
3. Your filing status
4. Your family size
5. Adjusted gross income on your previous tax return
6. The state you live in



Every year you are in the program, you will have to file your income tax return with the Department of Education or a third party representing you, such as a company that charges a fee to do the work for you (there are some honest ones out there). If there are any changes year-to-year, then your monthly payment may rise or fall. But it will usually be less than what you would be obligated to pay if you do not consolidate.

The length of the program can be up to 25 years but could be considerably shorter (as low as ten years) if you are employed in certain sectors like a government job or a non-profit organization. At the end of the program, if you have made your payments on time, any remaining balance will be forgiven regardless of the dollar amount.

Here is the link: [Federal Student Loan Repayment Estimator](#). Once you enter all your information, the following table will populate, and you can choose the best program.

Repayment Plan		First Monthly Payment	Last Monthly Payment	Total Amount Paid	Projected Loan Forgiveness ⓘ	Repayment Period
Standard ⓘ		-	-	-	-	-
Graduated ⓘ		-	-	-	-	-
Revised Pay As You Earn (REPAYE) ⓘ		-	-	-	-	-
Pay As You Earn (PAYE) ⓘ		-	-	-	-	-
Income-Based Repayment (IBR) ⓘ		-	-	-	-	-
IBR for New Borrowers ⓘ		-	-	-	-	-
Income-Contingent Repayment (ICR) ⓘ		-	-	-	-	-

[Debt Forgiveness](#) Folks, this is the real power of the program. Regardless of the length of your personal program, when it is over any federal student loan balance will be forgiven 100% and you are free!

Congress has made some changes to the program (hey, they're Congress—what do you expect) and, with a new administration now in place, there could be sweeping changes, for better or worse. Or not.

If you have soul-crushing federal student loans, or loans that make a significant dent in your monthly budget, perform your due diligence and research this program. Speak with a professional to see if there are programs that can help you.

Be careful. As in any field, there are shysters out there. But don't let that stop you. There are also honest competent professional people who can help. I found lifesaving help when I was in that black icky place. So can you.

As of this writing, once your loans are combined into a Direct Consolidation Loan, they cannot be removed. In this program loans that were consolidated are paid off and no longer exist.

[Consolidating your federal education loans can simplify your payments, but it also can result in loss of some benefits.](#)

One of the advantages is your credit report will reflect your original loans are satisfied. This can help your credit score. Again, seek professional advice from someone who has extensive experience in this area.



[Oh By The Way](#) Folks, this is a biggie. As of this writing, I do not recommend refinancing your federal student loans just to get a lower interest rate. Personal student loans, sure. But not federal student loans.

Once you refinance federal student loans with a lending institution, such as Bank of America or Wells Fargo, they can never be consolidated with the Department of Education. Consolidation usually offers far better value than shaving a percentage point or two off your interest rate that a bank will gladly offer to enslave you for decades or the rest of your life.

[True Story](#) I earned my MBA in Global Management. Think it has helped at all in my career?

Nope.

I was already a senior manager at General Electric when I started the program. When GE moved operations from Southern California to Minneapolis, they wanted to sell our house and move us there. We declined, but the point here is, I did not need my MBA to stay with GE and move up the food chain. Talent and the ability to get along with people and solve problems always wins out.



Fast forward to the Housing Bubble burst, and I was thrust out of my semi-retired state in my penthouse and into the black icky stuff. I signed on with head-hunters and other agencies to find me work. After months of failure they told me to dumb down my resume and drop my hard-earned and debt crushing MBA. Why? Because those hiring me viewed people like me as a threat who could eventually take their jobs.

[The Point](#) My MBA has not helped me one bit, although my BA has. At the same time, I started the first of seven years of college, my friend went to welding school, got a certificate, and started a \$50,000 a year job. At the end of seven years I was in crazy student loan debt. During this time, my friend had made close to \$500,000 (pre-tax) with overtime and had no such debt.

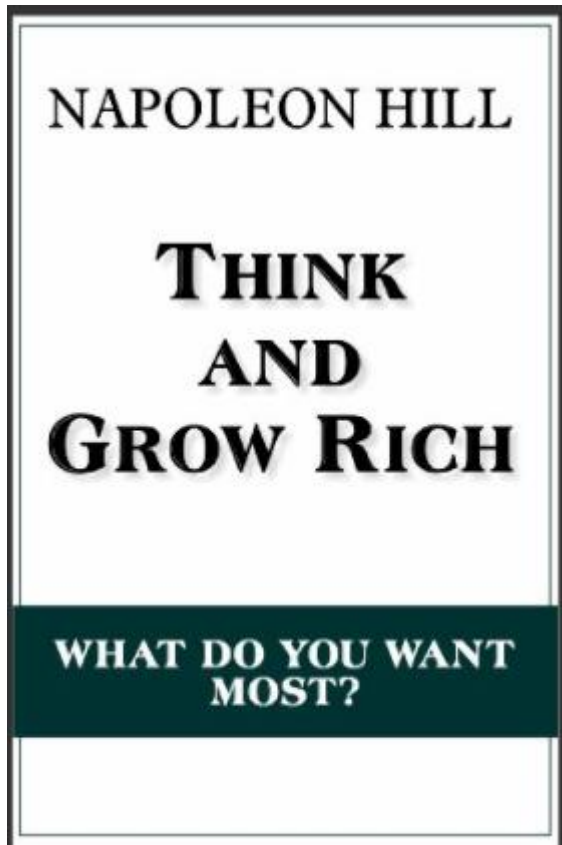
Something to consider.



[Call To Action](#) If you have federal student loans, or you have family or friends who do, plug in the numbers in the [Federal Student Loan Repayment Estimator](#) and see if this helps. I'm leaning in the direction that it will. Good luck!

Book Recommendation

[Think and Grow Rich](#) (177 pages)



THINK and GROW RICH has been called the "Granddaddy of All Motivational Literature" and was the first book to address What makes a winner.

In THINK and GROW RICH Napoleon Hill draws on stories of Andrew Carnegie, Thomas Edison, Henry Ford, and other millionaires of his generation to illustrate his principles.

Napoleon Hill (1883-1970) enjoyed a long and successful career as a lecturer, an author, and a consultant to business leaders. THINK and GROW RICH is the all-time bestseller, having sold 15 million copies worldwide, and set the

standard for motivational thinking.