



# Take time and money off your repayment with **Prepayment**

## ➤ There are no penalties for prepaying your federal student loans.

Even better, depending upon your plan, you could potentially take years and thousands of dollars off your repayment by paying an extra \$100 a month—though there's lots to consider to be sure this is the right decision for you. You'll have to factor extra payments into your spending budget, and you'll want to explore whether it is more prudent to prepay on your loan or to put that money in a savings or retirement plan.

Just like regular payments, all prepayments are processed through your student loan servicer. To find your servicer, visit the National Student Loan Data System at [NSLDS.ed.gov](https://www.nslids.ed.gov).



Our  
free  
student  
loan  
helpline  
can help  
you decide if  
prepayment is  
right for you.

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# Prepare for Prepayment

## > Have a strategy.

Your servicer will apply all payments toward fees and interest first before applying funds to the principal. After that, any prepayment will be applied to your future monthly payments and will not automatically pay down your principal unless you give specific instructions. So, **be sure to direct your servicer on how to apply your prepayment.**

If you have more than one loan, you can choose to have your prepayment applied evenly across multiple loans or have the entire amount dedicated to one loan—perhaps targeting your most expensive loan with the highest interest rate first. You can also decide whether to make a lump sum prepayment (possibly coinciding with a tax refund or bonus check), or pay a little extra each month. It's up to you—**know your options and have a strategy.**

## > Ask the right questions.

Contact your student loan servicer and ask:

- What is the current outstanding balance of my loan?
- Can I include a prepayment with my regular monthly payment, or should I send it separately?
- What is the best way to specify how my prepayment should be applied?



## > Follow up.

Check back with your servicer to ensure your **prepayment was applied properly**, and correct any issues. Be sure to **keep records of your prepayments and all communications** with your servicer.

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