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How to Negotiate Your Own Monthly Payment, Part 1

Besides consolidating your loans, there is another underused method to lower your monthly student loan payments when you're cash-strapped. It's not very talked about, and most college grads have no idea this option is available to them. I'm talking about negotiating with the federal government for a reduced monthly payment. Many people mistakenly think this is not possible. But the truth of the matter is that it is not only possible, it's perfectly acceptable under federal law. You just have to learn how the system works, which is exactly what I'm about to reveal.

Let's say your finances are really tight because you got sick and had medical bills that your insurance company wouldn't cover. Moreover, you have two children. They're both under five years old and one of them has special needs. So you pay for day care expenses every week and for a highly skilled, reliable, and experienced caregiver/special education teacher to watch the kids while you work.

And let's also add into the mix that you live in a rural area – or maybe even in a big city – but you have one whopper of a commute to work, so your transportation costs are much higher than normal.

In any event, my point is that you don't have a cookie-cutter life that fits nicely into some government prescribed formula about what your "normal" monthly expense are or should be. If your lifestyle happens to be expensive – and I'm not talking about because you're buying designer bags or living high on the hog – then you may be able to get some relief from the Department of Education.

The secret lies in obtaining and properly filling out one critical form called a Statement of Financial Status. This form isn't particularly onerous; it's just two pages, plus one page of instructions. You can find it online at the Department of Education:

www.ed.gov/offices/OSFAP/DCS/forms/fs.pic.pdf.

To complete the form, you'll be asked to declare your income and show evidence of it with two paycheck stubs and two years worth of tax returns. You'll also need to list all your monthly bills, itemizing what you owe to whom and in what amounts. If you make quarterly or annual payments – on things like auto insurance or property taxes – break that down into a monthly amount and include that in your tally of monthly expenditures.