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Dispatch №4 — a free point off your student loan, if you move by Sept. 30

From the desk. A federal deadline with a clock on it, and almost nobody saying it out loud.

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If you carry federal Direct Loans and you don't pay them on auto pay, the U.S. Department of Education will knock a full percentage point off your interest rate for signing up. The sign-up deadline for that 1-point auto-pay discount is **11:59 p.m. Eastern on Wednesday, Sept. 30, 2026**. That's StudentAid.gov's wording, not ours.

The auto-pay discount on federal Direct Loans used to be a quarter of a point. On July 1, 2026 it went to a full point, and it runs through June 30, 2028. It covers Direct Loans disbursed on or after July 1, 2012, and the Education Department's announcement says that includes parents who borrowed, not just students.

Already on auto pay? You're done. Your servicer adds the extra three-quarters of a point on its own, and you don't have to call anyone.

What a point is worth

One percentage point on a $30,000 federal loan balance is **$300 a year** in interest at that balance. Less as the balance shrinks. More if yours is bigger. For a form that takes a few minutes, that's a strange amount of money to leave on the table.

Plenty of people leave it there anyway. By the Education Department's count, more than 80% of federal student-loan borrowers in active repayment used auto pay before the pandemic, and only 40% are enrolled today.

Why a magazine about the college decision cares about a rate cut

Our whole beat is the number that gets decided before anyone runs it, usually by a high-school senior picking a major. FREOPP's 2021 data, cohort-weighted across bachelor's programs, puts the mean lifetime return at **+$1,132,553 for Engineering** and **−$111,915 for Philosophy and Religious Studies**. That's a **$1.24 million gap** in mean lifetime return between two bachelor's major categories.

By the time you're in repayment, your version of that number is mostly set. What's left are small levers, and this is one of the few the government is paying you to pull. In FREOPP's 2021 data, **67.9% of Visual Arts and Music graduates never break even** on the degree. When the payoff is that thin, the interest rate stops being a rounding error.

The fine print, straight

Deferment or forbearance switches the discount off, and so does canceling auto pay. StudentAid.gov is plain about that.

Loans in default take a longer road. The Education Department says a borrower in default consolidates and picks a new repayment plan first, and gets the discount once the loans are back in good standing.

It's federal Direct Loans only. A private student loan is a different contract with a different lender, and this offer doesn't touch it.

What about signing up on Oct. 1? StudentAid.gov ties the 1-point discount to enrolling by the Sept. 30 deadline and doesn't say what a late sign-up gets, so don't plan around it.

How to do it

Log in to your loan servicer's site (your StudentAid.gov account shows which servicer holds your loans), choose auto pay, enter the bank account, and confirm the payment amount. That's the whole process as the Education Department describes it.

Then get back to your life. We'll see you next dispatch.

Receipts

- **Deadline, size, dates, eligibility, what stops it:** Federal Student Aid, *Larger Temporary Interest Rate Reduction for Borrowers Enrolled in Auto Pay* (read 2026-09-24).
- **Parents, defaulted borrowers, automatic for the already-enrolled, the 80% / 40% enrollment count:** U.S. Department of Education, *U.S. Department of Education Announces Student Loan Interest Rate Reduction* (read 2026-09-24).
- **Major figures:** FREOPP Higher Education ROI (2021, CC BY 4.0), cohort-weighted mean lifetime ROI by bachelor's major category; the share that never breaks even is graduate-weighted. Rows are on /rankings/worst-roi-majors and in the open dataset, DOI 10.5281/zenodo.21351602.
- **The $300:** arithmetic on an illustrative $30,000 balance (30,000 × 1%), before the balance falls.