# How to Tackle Your Student Loans

## Stressing about Student Loans?

Are you wondering if you're on the right track for paying back your student loans? You're not alone. According to the National Center for Education Statistics, nearly 20 million people attend college annually, and 53% of all students between 15 and 23 use student loans to cover the expenses associated with their higher education.

Now, add these numbers to the existing 44.7 million people who have outstanding student loans! It's no wonder people are stressed. Two generations bear the brunt of this burden: Gen X and Millennials. Education Data analysis discovered that while Gen X carries the highest average student loan balance, $45,095, 14.8 million Millennials have student debt, which is the highest among any generation. But it's not just these generations feeling the heat; the same report noted that student loan debt increased an average of 18% across all generations.

Whether you're just embarking on paying down your debt, or you've been knee-deep in it for years, this piece offers guidance, ideas, and considerations to help you determine if you're on the right path to getting your balance to zero.

## 1 How to Inventory Your Student Loans

Before you decide on a repayment plan or adjust your current one, you have to know what you're working with.

- What loans do you have, and how many?
- What are the interest rates?
- How much is the monthly payment?
- How much do you have left on the loan (aka, what's your loan progress)?

You can confidently find answers to these questions by popping over to studentaid.gov for all the information you'll need on federal loans.

The first step is to log in or create a new account. If you're a new user, you'll need your Social Security number, FSA ID, and updated contact information (email address, phone number, etc.).

Your FSA ID is a username and password to log into the Department of Education's online systems. It serves as your digital signature, and it's something you should keep private — more secure than a diary lock.

Here's a step-by-step guide to making the login process easier:

**1. Visit studentaid.gov**

**2. Click "Log In"**

**3. Sign in or create an account.**

If you have already created an account, you can sign in with your FSA ID and password (the same one you used to fill out your FAFSA). If it's your first time on the site, create a new account.

**4. Provide all necessary information.**

Your name, date of birth, social security number, FSA ID, etc.

**5. Read and accept the terms and conditions.**

**6. Get to checking out your loans!**

Once you're in, click on "My Student Data Download" to download a .txt file full of important details.

**Your free Annual Credit Report** providse a list for private student loans. You can also contact each of your lenders directly, as they should have that information handy.

Researching your loan balances may not be the most exciting thing you do online today, but knowing them is important to getting you on track to pay them off faster. Now that you know what you have, you can start building a repayment plan that works for you. Read on for some options to consider.

## 2 Options for Student Loan Repayment

Out of the 44.7 million people with student loans, 42.3 carry active balances on federal ones. Needless to say, federal student loans are popular. They also have the most flexible repayment options, so the programs we're going to cover here only apply to federal student loans.

*Note: Each program has its own guidelines and requirements (or minimums) that you need to meet. Some of the more common options are presented here.*

### Standard Repayment Plan

The good news here is all borrowers with federal loans are eligible for this plan. You'll have fixed monthly payments structured to make sure you pay your loans off in 10 years (30 if you consolidate). The standard repayment plan offers the shortest timeline, so you'll end up paying the least amount of interest — an important win!

### Graduated Repayment Plan

Again, all borrowers are eligible for this plan. It has the same 10-year timeline, but payments are structured a bit differently. You'll have lower payments to start, and they will increase every few years. Since you pay less on the principal initially, you'll likely pay more interest with this option than the standard repayment plan.

*Note: These two are solid options if your income is reasonable in relation to your loan balance. The below options are all meant to make your loan payments more affordable.*

### Extended Repayment Plan

First, your loan balance must exceed $30,000 — the average debt per student is $39,351. You can either select fixed or graduated monthly payments in amounts that ensure you pay off the loan within 25 years.

### Income-Based Repayment Plans (IBR)

The rules for this plan changed on July 1, 2014, so borrowers who enrolled either before or on/after that date will follow different rules. For the latter group, payments are capped at 10% of discretionary income for 20 years. That limit increases to 15% and 25 years for those who enrolled before July 1, 2014.

### Income-Contingent Repayment Plan (ICR)

You'll either pay the lesser of 20% of your discretionary income or what you would pay on a fixed 12-year payment plan, whichever is lower. ICR Plans are 25-year terms.

### Pay As You Earn Repayment Plan (PAYE)

Your monthly loan payments will be capped at 10% of your discretionary income for 20 years.

### Revised Pay As You Earn Repayment Plan (REPAYE)

This plan also caps payments to 10% of your income, but the repayment term depends on whether you took the loans out for graduate or undergraduate study. For undergraduate work, it's a 20-year term and jumps to 25 for graduate/professional work.

*Note: These income-related payment options can help ease cash flow strain for individuals who qualify, but be aware this will stretch out the amount of time you're paying back your loan and may increase the overall interest you'll pay.*

### Public Service Loan Forgiveness

PSLF plans are for employees in the public sector who have federal student loans (think government jobs or positions with nonprofits). You have to meet the employment requirements and make qualifying loan payments for 10 years — and then the remaining student loan balances are forgiven.

# 3 How to Start Paying Down Your Student Loans

At this point, you know how much debt you have and different avenues for repayment — now it's time to build a plan and start paying off your debt.

## Smart Strategies to Pay Off Student Loans

### Saving vs. Paying Off Debt

Chances are, you know saving money is just as important as paying off your debt. But how do you know how much to save? Or what you should be saving for? Or how to save and pay off your debt? It can be difficult to prioritize, especially with tens of thousands of student loans on your shoulders.

Before you get overwhelmed with interest rates and savings, start by creating a small cash cushion. Aim for $1,000 to start. Putting a small emergency fund at the top of your financial to-do list can help you get through unexpected situations (unemployment, medical bills, etc.) without pushing you further into debt.

An often-cited issue with student loans is that the debt keeps people from reaching their larger financial goals like buying a house, traveling, getting a car, opening a business, saving for retirement, and more. It's critical to strike the right balance between keeping up with your debt and not forgetting about your goals on the back burner.

Take some time to think about your financial goals in the big picture. The standard repayment period on student loans is 10 years — you probably don't want to wait that long to save for a house or wedding.

If that's the case, you need to find a way to balance paying off your student loans with saving. To help, you can re-evaluate your budget to see if you can cut any costs or lessen some expenses. Be critical about what's truly a need and what falls under the "wants" category. Redirecting some "want"s to your monthly student loan payment, emergency fund, wedding fund, etc., is a much more intentional way to use your resources.

If you have multiple goals alongside paying down student debt, you can also start earning extra money to fund those savings with a separate income stream. This allows you to make progress in a number of areas instead of being limited to just one financial priority.

We know what you're thinking — yes, you can and deserve to earn more money! Start by negotiating for what you're worth at your current job. You could also consider positions with better pay and potential loan repayment benefits (yes, that's a thing). If you're a real go-getter and want to monetize your talents, you can start a side-gig in your free time to earn a little extra.

### What Are Your Interest Rates?

Your interest rate is a percentage charged when you borrow money. The higher your interest rate, the more money you're paying to borrow. Additionally, the longer your repayment term (again, the standard is 10 years for student loans), the more you'll end up paying over the life of the loan.

Since interest rates can really impact your loan, should you pay the minimum amount on your student loan or put some extra money toward the principal each month?

Some people find that paying the minimum amount each month works great if your interest rate is 2.2% or lower. Why? In this case, saving and investing in tandem will get you a better return on your money (assuming you actually save it, not spend it on a night out).

If your interest rates are on the higher end — around 5% or more — you might want to prioritize paying them off before more serious investing. The golden rule of student loan repayment is, you don't want to pay more money toward interest if you don't have to.

## Making Extra Payments

Remember that fantastic raise you're going to negotiate or the side-gig you've dedicated your Saturdays to? Here's where all that extra money can come into play.

You don't just have to make the minimum monthly payments on your loan — you can pay extra (just make sure it goes toward the principal, not the interest).

The more you can pay toward your student loans, the less you'll pay toward interest, allowing you to chip away at the principal balance of your loan.

You don't necessarily have to pay extra all the time, or only during your regular payment. Pay more when you can, even if it's just once or twice a year.

## Options Available if You Can't Afford Payments

There are several thousand graduates out there with six figures in student loan debt and no way to repay it. If you're stressing about affording your student loan payments, there are a few options to consider.

If you have federal loans, many flexible income-based repayment options are available to you (see above). Call your loan servicer and explain your situation. They might be able to recommend a specific repayment plan to look into.

Federal Student Aid has a guide on what repayment plans are available and what it takes to qualify for them. Additionally, you may qualify for deferment or forbearance if you're experiencing financial hardship.

If you're struggling to make payments on your loans, you may be eligible for deferment, which is a temporary period where you don't have to make payments, and interest doesn't accrue on subsidized loans. Interest does accrue on unsubsidized loans.

Forbearance is similar to deferment, except interest continues accruing on all of your loans during the time you don't have to make payments. Not having to make payments gives you a chance to get back on your feet and to begin managing your cash flow more efficiently.

Getting your loans forgiven, discharged, or canceled is possible, but only in select circumstances. (Again, see Federal Student Aid for an overview of those circumstances.) These options mean you no longer owe anything on your student loans.

What if you have private loans? They don't come with the variety of repayment plans federal loans do, but many lenders are willing to work with borrowers by granting them forbearance periods. If you need help, pick up the phone and call your loan servicer to see what they can do for you.

Refinancing or consolidating are two options to look into as well. The purpose of refinancing your student loans is to improve your terms (to lower your interest rate, for example). The purpose of consolidating your loans is to make it easier to pay them. If you owe money to seven different lenders, consolidating them rolls them all into one easy payment. You can do both with federal loans, too. But be careful consolidating federal loans, as doing so could disqualify you from different repayment plans and loan forgiveness tracks.

## 7 Steps to Paying Down Student Loans

Now that you're armed with some essential knowledge on student loans, it's time to talk about how to get rid of them — for good.

### 1. Look at Your Entire Financial Situation

Do you have any other debt? What's your salary? How much can you afford to pay toward your student loans? These are things you need to get clear on to formulate a plan of attack on your loans.

### 2. Start Budgeting and Tracking Your Expenses

You need to know what money is coming in, where your money is going, and how you're using it. This is especially true if you find you don't have enough money to last you a month.

### 3. Evaluate Your Expenses

After you've established your budget and have an idea of how much you've been spending (and where), go back and evaluate your expenses. Question how much value you're getting out of the things on your list. If paying down your student loans is your top priority, you need to make room for extra payments in your budget.

### 4. Focus on Earning More Money

If you've cut back on all your expenses and are still struggling to make payments or find room in your budget for basic needs, try earning more money. You can work overtime at your job, take on additional shifts, or get a second job.

### 5. Trouble Finding Employment

Many are making their own jobs based on their hobbies or skills. Do you enjoy pet-sitting, babysitting, crafting, consulting, freelancing, or organizing? Advertise your services and get the word out!

### 6. Have a Plan and Follow It

Paying off your student loans will be a long journey. It's important to have a plan to refer back to when times get tough. Choose exactly how you're going to pay off your debt. Pick one loan out from the rest and singularly focus on paying it down while paying the minimum on the rest. This one loan might be the loan with the highest interest rate, the lowest balance, or one you just want to see gone.

### 7. Stay Hopeful

Remember, paying off debt can be a difficult journey filled with ups and downs. It's important to build a support system and stay hopeful when you hit a roadblock. Surround yourself with friends who can relate to what you're going through, and stick with people who help you achieve your goals.

By following these seven steps, you'll be on a clearer path to paying down your student loans. Don't get discouraged; there are plenty of options available to you if you're experiencing difficulty paying your loans back. The worst thing you can do is not make any payments. Always reach out to your loan servicer to see if they can help you out.

## 4 Sample Letter to Loan Servicer Regarding Overpayment

So we've talked a lot about the opportunity to pay extra toward your loan balance each month, but how do you go about initiating that conversation with a loan provider?

Here's a sample letter to help.

*I am writing to provide you instructions on how to apply payments when I send an amount greater than the minimum amount due. Please apply payments as follows:*

1. *After applying the minimum amount due for each loan, any additional amount should be applied to the loan that is accruing the highest interest rate.*
2. *If there are multiple loans with the same interest rate, please apply the additional amount to the loan with the lowest outstanding principal balance.*
3. *If any additional amount above the minimum amount due ends up paying off an individual loan, please then apply any remaining part of my payment to the loan with the next highest interest rate.*

*If any third party makes payments to my account on my behalf, you should use the instructions outlined above.*

*Please retain these instructions. Please apply these instructions to all future overpayments. Please confirm that these payments will be processed as specified.*

*Thank you for your cooperation.*

It's as simple as that! The key is to keep everything — yes, everything — in writing. That way, if there's ever an issue or question in the future, you can point to something concrete (with a time-stamp).

## 5 Contact Information for Loan Servicers

### Aspire Resources Inc.

Phone: (800) 243-7552
or (515) 243-5626

Fax: (515) 471-3983

Email: Send a secure message via the link.

Website

### CornerStone

Phone: (800) 663-1662
Fax: (801) 366-5122

### ECSI Federal Perkins Loan Servicer

Phone: (888) 549-3274
Website

### ESA/Edfinancial

Phone:
(855) 337-6884 (direct loans)
(800) 337-6884 (private loans)

Fax:
(800) 887-6130 (direct)
(800) 887-5936 (private)

Email: Send a secure message via the link.

Website

### FedLoan Servicing (PHEAA)

Phone: (800) 233-0557
or (800) 699-2908

Fax: (717) 720-3916
or (717) 720-1628

Website

### Granite State - GSMR

Phone: (855) 337-6884
or (800) 719-0708

Website

### Great Lakes Educational Loan Services, Inc.

Phone: (800) 236-4300
Fax: (800) 375-5288
Website

### MOHELA

Phone: (888) 866-4352

TTY: Dial 711

Fax: (866) 222-7060

Website

### Nelnet

Phone: (888) 486-4722

Email: Send a secure message via the link.

Website

### OSLA Servicing

Contact: You must log in to your account to contact the team

Website

### Sallie Mae

Phone: (800) 472-5543
Website

### VSAC Federal Loans

Phone: (800) 798-8722
or (802) 655-4050

Fax: (802) 654-3765

TDD: (800) 281-3341
or (802) 654-3766

Website