

15 Steps to Paying Off Your Student Loans

Here's how to pay off student loans and apply for student loan forgiveness or loan consolidation.

- By [Sarita Harbour](#) June 20, 2016



Whether you just graduated or your [student loan debt](#) has already been weighing you down for years, it's time to plan how you're going to pay your debt off for good. You — and the 40 million other Americans who have student loans — can use budgeting methods, loan consolidation and loan repayment programs to make paying off student loans easier and faster.

Here's a step-by-step guide on how to pay off student loans efficiently, with tips from experts as well as two graduates who did it themselves.

1. Calculate What You Owe

Find out what you owe on your student loans by visiting the National Student Loan Data System. You'll need to provide your Social Security number, last name, date of birth, and your Federal Student Aid ID, which replaced the FSA PIN in 2015. Don't despair if your loan total is five figures or more — the average student loan debt per person in 2016 is \$37,172, according to The Wall Street Journal.

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If you have private student loans, check with your financial institution to get your loan details. To find out which bank or finance company holds your loan, order your free credit report from an authorized consumer credit reporting agency and review your creditors.

Make note of the balance, interest and required minimum payments of each loan and then use an online student loan repayment optimizer tool to help you determine the best approach to paying off your loans. Knowing how much interest you'll pay over the course of your loan repayment plan can motivate you to find ways to pay off student loans faster and with less interest.

2. Refinance or Consolidate Loans

If you have more than one loan, you might be able to consolidate student loans by refinancing and combining them into one easy monthly payment. Talk with your lenders to figure out if they offer this or other student loan repayment options. You also can learn more about federal loan consolidation on the FSA website.

Having a steady job and good credit can help you out in a big way. If you have both, "there are some very competitive options for refinancing both federal and private student loans," said David Weliver, founding editor of finance blog [Money Under 30](#). "I've seen variable interest rates as low as 2 percent when you enroll in automatic payments."

Refinancing at a lower interest rate might reduce your minimum monthly payment. "If you can continue to make your old, higher payment after refinancing," said Weliver, "you'll reduce the amount of time until your loan is paid in full."

3. Research Alumni-Backed Student Loans

If federal or private loan consolidation won't work for you, this innovative student loan consolidation option might. SoFi, an online lending platform based in San Francisco, cuts loan interest rates and consolidates debts with backing from the alumni at your school.

"We were horrified by the high rates people were paying for student loans and that there's very little choice for students out there," said SoFi co-founder Dan Macklin. "It's an underserved market, and we wanted to bring a new solution."

4. Create a Plan to Pay Off Multiple Student Loans

Decide which loans you'll focus on paying off first. The monthly minimum of each loan must be paid, but putting extra money, such as a tax refund or financial gift, toward one loan means paying it off faster. Once you've paid off one loan, you can reallocate that payment from your budget to pay off your remaining loans faster.

Some experts, like those at the nonprofit Institute for College Access & Success, recommend putting more money toward the student loan with the highest interest rate. Other financial experts, like Dave Ramsey, suggest putting any extra money toward your smallest loan first because it will be the

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easiest and fastest loan to pay off. Either way, the idea is to put any extra payments toward just one loan rather than dividing the money up over several loans.

5. Sign Up for Automatic Payments

Avoid making late payments that incur extra charges and [credit score](#) hits by opting for automatic payments. If you schedule two half payments monthly on the dates of your paydays, you can further decrease the likelihood of making late payments and you can potentially make more headway in paying down the debt. By paying off the debt faster in multiple monthly payments, you shorten the amount of time in which interest can accrue and, when you start paying down the principal balance, you lessen the amount on which interest accruing.

Check the fine print on your student loan agreement or talk to your lender to see if there is any way to pay off your student loan faster and accrue less interest. In particular, ask about:

- Making extra payments of any amount at any time without penalty
- Making payments online
- Getting a rate discount for setting up automatic payments

6. Set a Payoff Goal Date

If you regularly make only the minimum student loan payment, it could take a decade or more to pay off your loan. Smart grads, like Shannon Brown, a mother and blogger who runs [GrowingSlower.com](#), choose a realistic payoff goal date and then create a plan to achieve it.

When Brown graduated with an architecture degree from the University of Idaho in 2007, she and her husband had about \$60,000 of combined student loan debt.

By September 2013, Brown found that despite making the minimum payments for several years, she was still six years away from paying off the loans. She set a goal to pay off the remaining \$22,000 of debt in 25 months and wound up eliminating it in just nine months — 16 months earlier than her self-imposed payoff goal date.

The faster you pay off your loan, the more money you save in student loan interest. Use a tool like the GOBankingRates student [loan calculator](#) to help you determine what you need to pay each month in order to reach your goal date.

7. Tighten Your Budget

Setting a budget to track income and expenses can help you meet your student loan payment goals, especially when you can work backward from a target payoff date and see what it takes to get there. “We are not talking about scribbling a few figures on a napkin,” said Kendrick Wakeman, CEO of [FinMason](#), which provides financial and investment portfolio assistance. “You need to get a detailed budgeting tool to help you develop a budget and, just as importantly, help you stick to it.”

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Brown found that an online budget was just what she needed. “I had been trying to budget for a long time because my husband and I wanted me to stay home with our kids,” said Brown. “So, I signed us up to Mint.com to help automate our budget.”

Once your budget is in place, take a long, hard look at ways to cut expenses — and like Brown’s family, expect to make some sacrifices. Brown found several ways to slash her family’s grocery and household bills, including:

- Meal planning for the week to cut down on wasted food
- Price comparisons between online stores and local grocery stores
- Picking your own produce during peak season for a reasonable price, then freezing or canning the food for the rest of the year

Once you’ve figured out how much you can reduce your expenses, you can increase your automatic student loan payment — or add an extra one — to pay off your loan faster.

8. Get a Roommate or Move Back in With Your Parents

Living with other people or moving back home is definitely not for everyone, but rent is usually one of the biggest monthly expenses. For example, the median rental price for a one-bedroom apartment in the U.S. is \$1,180 per month, according to the June 2016 National Rent Report from ApartmentList.com.

If you are willing and able to move back in with your parents for a while, you could save a significant amount of extra money each month to put toward student loan payments and, if you choose, to invest as well.

But if moving home isn’t an option, you might want to get a roommate like Joe Mihalic did. Mihalic, a Harvard grad who paid off more than \$90,000 in student loans in just seven months, found two roommates on Craigslist to help pay his rent. He chronicled his frugal lifestyle changes and posted a monthly report on his debt repayment progress on his blog, [No More Harvard Debt](#).

9. Postpone Big-Ticket Buys

It’s common to want to spend money on vacations, big-screen TVs or a new car. But if your discretionary spending is taking up half your budget or more, consider cutting back for the time being in order to funnel more money into your loan payments. As one financial expert put it, material possessions can’t buy happiness, but getting out of debt can.

“I’ve found people with less live less stressful and happier lives,” said Michael Chadwick, CEO of [Chadwick Financial Advisors](#), which offers financial advice. “They’re not trying to substitute physical possessions for personal happiness.”

During 2011, Mihalic made some difficult choices to avoid big expenses, including forgoing a visit home for Christmas and two weddings. Mihalic was so committed to his mission to pay off student loans that missing out on certain expenses and events was easier to bear.

“I was in such a state that I didn’t care so much about the loss,” he said. “I just wanted to be debt free.”

10. Sell Your Stuff Online

Make extra money to pay down your student debt by selling things you don’t use in local online classifieds or Facebook “for sale” groups. Look for textbooks, clothes, sports equipment, home electronics and small kitchen appliances that are in good enough condition to sell. If you can’t sell them and end up donating them instead, get a receipt in case you decide to itemize your tax deductions.

Mihalic discovered that letting go of stuff was a liberating experience. He sold one of his cars, a motorcycle, a bike and other possessions he once thought he could never live without. “You don’t notice that you’re missing the toys,” he said.

Craigslist and similar sites make it relatively easy to sell items online and make money to put toward your student loan debt. Just make sure to engage in online and in-person transactions safely using secure internet connections and meeting in public locations.

11. Get a Side Job

According to The Wall Street Journal, the New York Federal Reserve reports that the median salary for graduates in 2015 was just \$43,000, so a part-time gig might be in order. “[Increasing your income](#) is the fastest way to earn extra money you can use to accelerate paying off student loans,” said Weliver. Sometimes a “side hustle” doesn’t look like a traditional second job — it could mean taking on freelance work or starting a business.

When Brown got serious about paying off her student debt, she knew she had to increase her income, so she set new goals and took on more projects. “I gave up sleep to grow my blog and do more architecture projects,” she said. Brown also opened an Etsy store. “I did anything I could to make more money and put it all toward our debt,” she said.

Mihalic also got creative to boost his income. He started a landscaping business with a friend and worked as a “human chariot,” operating a pedicab in Austin.

12. Join the Peace Corps or Americorps

Now, this isn’t a suggestion to skip off to the Cayman Islands to evade your loan payments, but the Peace Corps offers a number of loan programs to reduce your balance significantly while you see the world — with your living expenses covered. With a Perkins Loan, for example, you might be eligible for up to a 70 percent cancellation benefit as a Peace Corps volunteer. And depending on

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the type of loan you have, you might qualify for income-driven repayment or student loan forgiveness.

If you are in an approved AmeriCorps program, your student loan could qualify for forbearance. Although interest accrues on loans that are in forbearance, if you successfully complete your term of service and your loan qualifies, the National Service Trust might pay off all or part of the interest that accrued while you served.

13. Explore Public Service Loan Forgiveness Programs

Federal, state or local employees or graduates working for a tax-exempt entity such as a qualifying nonprofit or not-for-profit organization, also known as a 501(c)(3), might have another option to help pay off student loans faster. The federal government's Public Service Loan Forgiveness Program pays off the remaining balance on qualified employees' federal student loans, including subsidized and unsubsidized federal Stafford loans. But if you want to take advantage of this program, you first need to make 120 qualifying monthly payments — that's a full 10 years of payments.

14. Ask Your Employer for Help

Before assuming that your boss will laugh you out of the office if you ask the company to contribute to your loan repayment, keep in mind that this might benefit your employer as well. After all, helping staff with hefty student loan payments is one way for businesses to attract and keep top talent. Competitive and well-known companies like Fidelity and PriceWaterhouseCoopers offer student loan repayment options as part of their benefits packages, reported U.S. News.

If your employer does not offer this perk, you could suggest during your next salary negotiation that the company provide student loan repayment assistance in lieu of a raise.

15. Get Additional Student Loan Debt Assistance

Paying off student loans is a large undertaking and sometimes, no matter how hard you try to stay on top of this financial burden, life gets in the way. If your income is simply too low to pay off your student loans or you were recently laid off, you can immediately reach out for help with your federal loans through income-driven plans.

The current income-driven federal student loan repayment plans include:

- Income Contingent Repayment Plan
- Income-Based Repayment Plan
- Pay as You Earn Plan
- Revised Pay as You Earn Plan

Depending on your income and the program, your payments could be reduced to between 10 percent and 20 percent of your discretionary income. Bear in mind that reduced payments might

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mean it'll take 20 to 25 years to pay off your loan, although outstanding balances at the end of your repayment term could qualify for loan forgiveness.

The more you know about your budget, debt and repayment options, the more equipped you'll be to make smart financial decisions. Mihalic suggested that students educate themselves about student loans, the dangers of debt, and options for paying for higher education.

"We're asking students these days to spend a lot of money on something they don't know anything about," he said. "I think the overall message is there are less risky ways to go about this."

Brown believes that the key to [paying off student loans sooner](#) is to take action now. "The biggest thing would be to get started," she said.

"Try paying off your smallest loans first because having that taste of success motivates you," Brown said. She also suggested sticking with your financial plan and remembering that your sacrifices are temporary. "You have so much more freedom once you are debt-free."

[Lou Carlozo](#), [Ashley Redmond](#), [Paul Sisolak](#) and [Tushar Mathur](#) contributed to the reporting for this article.