10 Ways to Pay Off Your Student Debt

In the United States, federal loans make up the vast majority of loans taken out by students – just over $1.48 trillion worth. Paying off student debt can be very hard work. It can add stress to your life, alter major life decisions, and create a feeling that you live under an ever-present dark cloud. But there are ways to take control of your financial future. We thought we'd help by putting together our "11 Ways to Pay Off Your Student Debt" Checklist. We hope you'll find it useful.

1. Take Stock of Your Financial Position. Gather all your financial documents together and add up the total amount you owe. Include all federal loans, private loans and any money you may have borrowed from family and friends. This is your total student debt. Look at the balances, payoff dates, interest rates and minimum payments on EACH loan. Note any special payment terms, deferment or forgiveness options, and grace periods for each. The key is to get organized, so you choose the best options for paying off your debt.

2. Make Payments Before They're Due. There is usually a grace period before students must make their first payment on student loan debt. Typically, during this period, no interest accrues on loans. Many students are tempted not to pay anything at first, but once that first payment is due, interest starts being calculated on a daily basis. It can add up quickly. If you make your payments each month ahead of the due date, it reduces the principal faster and will cut the interest charges, as well. This is an effective way to start reducing debt.

3. Make Payments Automatically. One of the easiest ways to reduce student debt is to sign up for automatic bill payment. Your monthly payments are automatically deducted from your bank account, and most student loan lenders offer an interest rate deduction of 0.25% if you select this option. You save money on interest (which can really add up over the lifetime of your loans) and you won't accidentally miss any payments.

4. Pay MORE Than The Minimum Amount Due. Your student loans have a repayment plan with a set number of monthly payments due over a set number of years. But the majority of loans don't charge any additional fees if you pay off your loans faster than the agreement. An easy way to get out of debt faster is simply to pay more each month than is due. This may seem impossible to someone just starting their first job after college, but by adding an extra $10 or $20 per month to your regular payment, you can really start to chip away at your debt. And as you move up in your career, adding a little more each month can make a big difference.

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5. Make Sure Extra Payments Are Applied Correctly. If you are going to add more than the minimum each month, make sure it counts. Don't rely on your loan provider to accurately apply your extra payments – you need make sure it's done correctly. All your extra payments each month should be applied to the principal of the loan. But sometimes a lender will credit the extra money to your next month's payment, instead of to the principal. This won't help reduce your interest or balance. Make sure your loan provider doesn't put you in the "paid ahead" status. If you're not sure how they're handling your extra payments, contact them and ask.

6. Even A Small "Windfall" Can Make A Big Difference. If you are serious about paying off your student debt, then any unexpected money (windfall) you receive should go to paying off your loans. These windfalls can include an inheritance, work bonus, commission, tax refund, wedding gift, or even a check from a relative for your birthday. You should apply the extra payments to the loans with the highest interest rates first. And make sure it's applied to the principal of the loan – not to next month's payment.

7. Cut Your Living Expenses. This is always easier said than done. But short-term sacrifices will help you climb out of your student debt much faster. Start by targeting your biggest living expenses first. If you live in an area where the costs of rent are high, consider getting a roommate (even if it's only for a year or two) or moving to a less expensive area. Try going to one less concert or skipping one dinner out per month. Even one less gourmet coffee per week can start adding up. These little savings can make a big difference over the course of a year. And when you get that first big promotion at work, use the extra income to pay off your student debt.

8. Move Back In With Your Parents. This is not as radical as it sounds. Depending on where you live, you could be paying anywhere from $800 to $1800 per month for rent. Even with a roommate to share costs, it is a huge monthly expense. And that's before considering the costs for cable, electricity, gas and heat. Moving back in with your parents, even for a short period of time, can dramatically help your financial position. Clearly, your parents would have to be on board with this idea. But most would be willing to help their children pay off their student debt and create a more solid financial footing.

9. Getting Your Employer To Help With Your Debt. With the current job market, many companies are now offering student loan repayment assistance. Essentially, the employer matches part of

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of your student loan payments each month. The guidelines are different for each company, but it is helpful nevertheless. Make sure to ask your company if they offer a program like this. If you are job hunting, this is a critical question you need answered before deciding which company to join. If a company doesn't offer repayment assistance, but really wants to employ you, they may offer you a special deal as part of their offer package.

10. Consider Refinancing Your Student Loans. When you refinance your student loans, you are essentially taking your multiple loans (both federal and others) and consolidating them into one new loan. This can make your monthly payments easier to handle, and potentially a reduced interest rate. Rates for the new student loan are fixed for the lifetime of the loan. If you have a good credit score, you may be able to dramatically reduce your interest rate – and your monthly payment costs. You can then use your savings to make additional payments on the principal of the loan, thereby paying off the loan sooner and saving additional costs. However, you must be careful, because the new loan will be through a private lender and you will therefore lose access to some federal programs and benefits including the federal loan forgiveness program. Make sure you thoroughly work through the numbers and risks before making any decisions on refinancing your loans.