How to Get Out From Under Student Loans

If you're a recent college graduate who took out student loans, you likely owe about $35,000. As eye-popping as that average debt figure is, you're certainly not the only one wondering how you'll possibly get out from under your loans. As with any difficult assignment, though, research and a well-thought-out plan will help you tackle even the most challenging of debt situations.

Making use of the following strategies will help you dig your way out of student debt. Here's a look at where to get started.

Know what you owe

First things first: Figure out what your monthly payments should be. To do that, use one of a handful of repayment calculators. These tools let you plug in the total amount that you owe along with your loans' interest rates and term lengths. You'll get a better sense of how much you should be paying each month if you want to take care of your debt within a certain amount of time.

Adjust your monthly budget accordingly

Knowing how much money you'll need to put toward eliminating your student debt each month will help you adjust your budget. That may mean making tough decisions like cutting back on nonessential expenses.

Remember: Every extra dollar you put toward your debt reduces the total amount of interest you'll end up paying over the life of your loan, so it's well worth the effort.

Consider automatic payments

To ensure that you make your monthly payments on time, set up automatic deductions from your checking account. The way it works is easy: Your student loan servicer simply subtracts what you owe from your account whenever your payment is due. Your lender may even offer you a discount if you choose this option, which can be much more convenient than writing and sending a check every month. Just be sure that there's enough money in your checking account so that you aren't hit with overdraft fees.

Switch up your repayment plan

If you're still struggling to put money toward your student debt, consider changing your repayment plan on federal loans, which you can do whenever you want. You may, for example, opt to switch from standard repayments —which have you contributing a set amount each month over a period of about 10 years — to graduated repayment, which is when your payments start out lower and increase over time.

Extended repayments, on the other hand, give you additional time to pay back your loans, sometimes up to 25 years, if your debt is more than $30,000 and you meet certain other requirements. Other plans, aimed at borrowers whose federal student loan debt is high relative to their income and family size, are income-based. If you qualify, the payments you owe are based on how much you earn every year. Although any of these plans can ease your monthly payment, you'll end up paying more for your loan over time than you would if you had stuck with the standard 10-year plan.

Private lenders typically have stricter policies, but it's still worth checking to see whether there's any way to adjust your repayment plan with them.

Final word

If you're a teacher or a public servant, you may qualify for student loan forgiveness. Otherwise, your last resort may be opting for forbearance, which means you can stop or reduce payments for a month or two. However, because interest continues to accrue, this course of action is better avoided.

With all that said, what you definitely don't want to do is default on your loans. When you do that, the entire unpaid balance of your loan is due immediately, and you also lose the right to defer or change your repayment plan.

Breaking down the repayment process into smaller steps will make your student debt feel less overwhelming. Although it may take several years to wipe it out completely, a carefully crafted plan will set you up for success down the road.