

Some Insights On: Debt Management

5 Ways to Repay Student Loans?

By Janet Stanton Burt

About one-third of Americans who are actively trying to pay off their student loans are [90 days or more](#) late on their payments, according to a recent report by the Federal Reserve Bank of New York.

Falling behind on your loan payments can damage your credit score, so it's important to keep on top of your student debt. If you're struggling to afford your full loan payments, you can use a number of alternative repayment strategies to make them more manageable.

Graduated Repayment

Graduated repayment can be a good fit for college grads who take a first job after college with a low salary, but expect to increase their annual income fairly quickly. [Graduated payment plans](#) keep the repayment term to the standard 10 years, but the payments start out lower and gradually increase over the term of the loan.

Two caveats: You'll pay more interest than under the standard repayment plan, and might need to refinance if your income doesn't increase the way you expected.

Loan consolidation

Loan consolidation lets you combine either your [federal](#) loans or your private loans together into one centralized loan, with one payment and a longer repayment term of up to 30 years. This option could make your monthly payments more affordable, but you'll be paying much more in interest by the time you're through.

Extended Repayment

Extended Repayment plans let you lengthen the term of your loan to up to 25 years, but you must owe at least \$30,000 to use this option. The [extended plan](#) lowers your monthly payment by lengthening the repayment term. Use caution: Your short-term payments will be more affordable, but you'll pay significantly more in interest over the life of the loan.

Income-based Repayment

The government offers several different flavors of federal student loan repayment plans tied to your annual income. [Income-based repayment plans](#) can stretch your payments out for up to 25 years.

During that time, your payments can go up or down from year to year depending on changes in your income or family size. This option is most useful for borrowers who can demonstrate financial hardship, and who need to make the payments on outsized loan balances more manageable.

Custom Repayment

Talk to your loan servicer (the company that collects your payments) if you're having trouble making your payments. Most lenders are willing to work with borrowers who make a good faith effort to keep their payments on track.

The [National Student Loan Data System](#) will give you servicer details on all federal student loans. Your current credit report, which you can get from [AnnualCreditReport.com](#), should show which companies service your private student loans.

Know What You Owe

The options are different for federal student loans than for loans issued by private student loan lenders like banks or schools, so it's important to know what type of loans you have and how much you owe.

If you have federal student loans, you'll usually have more flexible repayment options than with loans from private student loan lenders.

The federal student aid website has a full list of [alternative student loan repayment plans](#). You'll also find a [repayment calculator](#) to help you figure out what repayment plans would be the best fit for your situation.

If you have private loans, you should contact your loan servicer directly to see what alternative repayment options might be available.

Remember, virtually all of these alternative repayment options are for borrowers whose loans are still in the grace period, or in good standing. Don't wait until it's too late to work out a repayment plan that fits your budget.