

# How Can You Manage Student Loan Payments?

If you have student loans, you likely received a “payment vacation” over the past few years, due to legislation related to COVID-19. But if you’re like millions of other borrowers, you may have recently been required to resume your payments. How will this affect your overall financial situation?

Of course, the first thing that comes to mind is the effect on your monthly cash flow. But the amount of pressure you feel will depend on your income and the size of the required payments. If these payments do represent a real challenge, you may need to adjust your budget and spending habits as best you can. However, there might be other steps you can take to help ease the burden or possibly reduce the repayment time.

Here are a few suggestions to consider:

- *Sign up for autopay.* Falling behind on your student loan payments can lead to late fees, and if you were to become truly delinquent, you could face even bigger troubles, such as wage garnishment. To avoid these problems, you can enroll in autopay, in which you move money automatically from a checking or savings account to your student loan provider. In addition to staying current on your loan, you might earn a .25 percent rate reduction, which is offered by many lenders and loan services to those who enroll in autopay.

- *Refinance your loan.* With a steady income, a reasonably good credit score and a manageable number of other debts, you might be able to refinance your student loan and reduce your interest rate, which will enable more of your monthly payments to go toward the principal.

- *Look for employer benefits.* Some employers — typically the larger ones — offer student loan repayment help to

employees, so check with your human resources department.

- *Make extra payments.* If you feel strapped just making your regular student loan payments, you may not be able to make extra ones. But if you can afford to add to your payments consistently, you could pay off your loan earlier than you had thought. But just because you make an extra payment, the money doesn’t necessarily go toward reducing your principal — student loan services generally apply payments first to late fees and then to accrued interest. If you pay online, you should have an option to apply extra payments to the principal. Your loan servicer could also provide you with other ways of paying more toward principal.

- *Choose a payoff strategy.* If you have multiple student loans, and you can make more than the minimum payments, you may want to be strategic in how you pay off your loans. You could choose the “snowball” method by getting rid of the smallest loans first — a technique that can give you feelings of momentum and satisfaction. Or you could take the “avalanche” approach by first going after the loans with the highest interest rates. Either route could save you more money in the long run.

It can certainly be challenging to deal with student loan debt. But with patience and diligence, and by exploring all your repayment options, you may be able to help yourself make progress toward putting these loans to rest.

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