Decorah Bank & TRUST CO. Cresco Bank A DIVISION OF DECORAH BANK & TRUST CO.

1-2-3 Banking

Strong beginnings to a healthy financial future

8 Tools to Tackle Student Loan Debt

1. **Yourself**. The first tool to use is your mental focus. You must believe, truly know, that you can and will pay off your debt. With a little determination, faith, and learning you can change your financial circumstances and have the financial life you want.

2. **Know what you owe**. Use the National Student Loan Database (www.nslds.ed.gov) to look up all your education debts. Keep track of the amounts you owe and who the servicer of your loan is. Student loans sometimes get sold from one servicer to another and it is important to know what you owe and who to pay.

3. **Know when you must start repaying the loans**. Some student loans don't require any payments until six months after you graduate. Others may require interest payments while you are in school. Know when your first payment is due on all your loans.

4. **Set up automatic payments**. This is the easiest way to ensure you never miss a payment. You might even get a discount on your interest rate for having your payments made automatically!

5. **Evaluate your repayment options**. There are many types of repayment plans available, and you can change your repayment plan at any time. The website https://studentloans.gov/myDirectLoan/index.action has a repayment estimator tool that will allow you to compare the different repayment plans you are eligible for. Visit with your personal banker about what plan best fits your situation. The standard repayment plan gives you a fixed monthly payment over a ten year period. The graduated repayment plan has lower payments at first, and the payment amount increases over time usually adjusting every two years. This loan is also paid back over a ten year period, but will result in higher interest costs than the standard plan. Keep in mind that your income will likely increase over the ten year period, but your expenses may as well. There are also several income based repayment plans that calculate a monthly payment based on a percentage of your discretionary income.

6. **Consider whether a consolidation loan makes sense for you**. Consolidating can simplify repayment by combining all your federal loans into one payment. A consolidation loan will allow you up to 30 years for repayment, which can lead to paying for loans many years longer than you should and paying much more in interest than some of the other repayment options. A consolidation loan has a fixed interest rate based on the weighted average of the rates of each individual loan you are consolidating.

7. **Pay your loans off as quickly as you can**. When possible, make extra payments and knock your student loan debt off as fast as possible. Having these loans paid off early in your career will allow more room in your budget for things like retirement savings, mortgage payments, travel, or family needs.

8. **Never miss a payment**. Making late payments on your student loans can have a negative impact on your credit score. This can mean not qualifying for other loans you want in the future or cause you to pay higher interest rates than you otherwise might have. If you experience a time when making your payments is not going to work, like loss of a job, communicate with your lender. There are options other than just skipping payments and going into default, so let them know ahead of time that you need some help. Enjoy the journey!