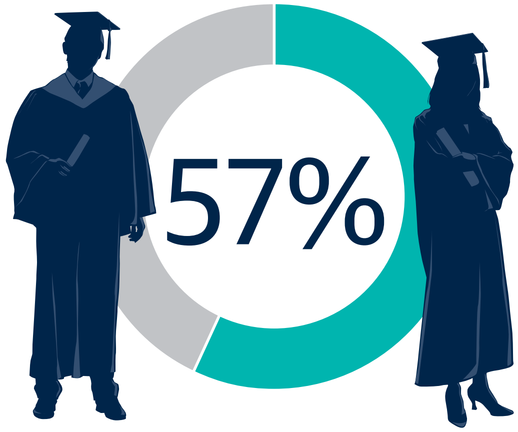
HOW TO TAKE CONTROL OF YOUR STUDENT DEBT

You put in the work, earned your degree and now—if you're like most college grads—you've joined the ranks of millions of young professionals with one thing in common: student loan debt. Nearly 70 percent of students attending a four-year bachelor's program graduate with some amount of student loan debt[1], so you'd probably be in good company if you found yourself wondering, "Was it worth it?"



More than half of people with student loans worry about being able to repay the debt.[3]

Here's one way to answer that question: By getting your degree, you'll earn an average of $800,000 more by the time you reach retirement than someone who graduated from high school without a degree.[2] So, look on the bright side. You may actually be in a better financial position than you think, at least in the long term.

And in the short term, there may be things you can do to ease the burden of paying back your student loans. That's critical, because more than half (57 percent) of people with student loans worry about being able to repay the debt.[3]

What can you do? You may be able to switch to an alternate repayment plan and pay less each month. You may be able to defer your payments, consolidate or refinance them, or even qualify to have your loan balance forgiven. And the best news is this: By exploring your options, you may be able to free up money you can use for other priorities, such as buying a car or home, starting a business and saving for your future retirement.

IN THIS GUIDE YOU'LL FIND:

- Resources to help you understand what you have and what you owe.
- The options available to you for managing or lowering your student loan debt payments.
- Key considerations to evaluate before changing your repayment plan.

WHAT'S YOUR STARTING POINT?

You need to know where you stand today before you take steps to improve your overall financial situation. Start by answering the following questions:

What type(s) of student loans do you have?

What are the current payment terms?

WHAT TYPE(S) OF STUDENT LOANS DO YOU HAVE?

There are two types of student loans: federal and private. Federal loans are funded by the federal government and represent the vast majority (87 percent) of student loan debt.[4] Private student loans are funded by a lender such as a bank, a credit union, a state agency or a school.

While certain features and benefits of each type of loan will vary, the following chart is an overview of the key characteristics of these two student loan types.

FEDERAL LOANS	PRIVATE LOANS
No payments while you're in school	May have to begin making payments immediately, even while in school
Fixed interest rate	Fixed or variable interest rate
Subsidized loans, in which the government pays the interest while you're in school, are available based on financial need	Subsidized loans are not available
Interest paid is likely tax deductible*	Interest paid may not be tax deductible*
No credit check for most loans	May require you to have established credit
Many repayment and consolidation options available	Repayment options are not likely to be available
Under certain qualifying circumstances you may have your loan forgiven, canceled or discharged	Limited options for loan forgiveness, cancellation or discharge

* Consult your tax advisor.

FEDERAL LOANS

If you have federal student loans, they originated from one of three loan programs: the Federal Family Education Loan (FFEL) Program, the Federal Direct Loan Program or the Perkins Program.

The FFEL was eliminated in 2010, but many of the loans issued during its tenure are still in existence. FFEL loans were provided by private institutions, guaranteed by the federal government and mostly administered through state or private nonprofit agencies called "guaranty agencies."

Since 2010, all new federal loans have been issued through the Federal Direct Loan Program, which provides three different loans through the U.S. Department of Education:

1. **Direct Loans:** Main federal student loans, which can be subsidized (the government pays the interest while you're in school) or unsubsidized. (Stafford loans fall into this category)
2. **Direct PLUS Loans:** Loans that allow graduate students and parents of undergraduate students to borrow the total cost of college, minus any financial aid received.
3. **Perkins Loans:** Low-interest loans for undergraduate and graduate students with exceptional financial need.

PRIVATE LOANS

Typically, private loans are used to fill the gap between what federal aid packages cover and the total cost of college. And while federal loans fall into one of three loan types (Direct, Direct PLUS or Perkins), private lenders such as banks, credit unions and schools each have their own individual loan programs.

However, most private loans have one feature in common: Private loans typically require a cosigner. That way, if you are unable to make the payments on your loan, the responsibility for the balance of the loan is transferred to your cosigner. That's in contrast to a federal loan, which does not require a cosigner.

× *Cosigner Required*

48% OF ALL GRADUATES with student loans have a mix of both federal and private loans.[5]

WHAT ARE THE CURRENT TERMS OF YOUR LOAN?

Once you know what type(s) of loans you have, document the details of each. You'll want to know:

- The amount you pay (or are scheduled to pay in the future) each month.
- The length (term) of your loans (for example, 10 years, 20 years, etc.).
- The interest rates and whether they are fixed or variable.

If you don't know these details of your loans, you can get the information by logging into the National Student Loan Data System (NSLDS).

Use the chart below to help keep track of your loans. You can also access a fillable version if you'd like to save it digitally.

STUDENT LOAN BALANCES BY THE DEGREES[6]

Graduating Degree	Average Loan Debt
Bachelor's	$35,000
Master's	$51,000
Ph.D.	$71,000
Law School	$167,000
Medical School	$207,000

NAME OF LOAN	BALANCE	FEDERAL/ PRIVATE	INTEREST RATE (FIXED/ VARIABLE)	LENGTH OF LOAN (TERM)	PAYMENT START DATE	MONTHLY PAYMENT
Examples						
PLUS Loan	$10,000	Federal	6.84%, Fixed	10 years	5/1/2014	$121
Direct Federal Loan	$20,000	Federal	4.29%, Fixed	10 years	6/1/2014	$232
Fill In Your Student Loan Information Below						

TOTAL MONTHLY PAYMENTS:

TOTAL BALANCE:

YOUR LOAN PAYMENT OPTIONS

Once you know what type(s) of loans you have, how much you owe and their current terms, you can begin to assess your options for managing the debt. If you have private loans, you may be able to consolidate your loans, adjust your interest rate or change the terms to better suit your needs. Check directly with your lenders to see what options they offer.

For your federal student loans, you may be able to change or reduce the amount you pay each month, temporarily stop making payments for a period of time or apply for loan forgiveness. The options available to you may depend, in part, on the type of federal loan you have (Direct/Stafford, FFEL, PLUS or Perkins), but generally the six potential options are:

1. REPAYMENT PLANS
2. FORGIVENESS
3. FEDERAL CONSOLIDATION
4. PRIVATE CONSOLIDATION AND REFINANCE
5. DEFERMENT
6. FORBEARANCE

1 REPAYMENT PLANS

Although you may have initially selected (or been assigned) repayment plans with your federal loans, you can prepay any student loans or change repayment plans at any time—for free. What follows is a summary of the four repayment plans available for federal loans.

STANDARD REPAYMENT PLAN:

This is the default payment plan. If you did not choose a repayment plan at the time you obtained your loans, you were automatically placed into this plan. Under the standard repayment plan, you repay your loans within a period of no more than 10 years, with fixed monthly payments of at least $50 per month. The interest you pay is based on the type of federal loan you obtained.

- Pay off debt the fastest
- Pay the least amount of interest over time

- Higher monthly payments compared to other plans

GRADUATED REPAYMENT PLAN:

Under the graduated plan, your loan payments start low and increase every two years over the 10-year term of the loan. This can be a good option if you need some financial "breathing room" coming out of school but know your income will increase over time. Under this plan, the largest payment will never be more than three times the size of the smallest payment.

- Lower initial monthly payments as you get settled into life after school

- Pay more in interest compared to standard plan
- Monthly payments that increase over time

EXTENDED REPAYMENT PLAN:

If your goal is to make lower monthly payments and stretch them out over a period of time longer than 10 years, you may want to look at the extended repayment plan. Under this plan, you must have more than $30,000 in either Direct or FFEL and not have outstanding student loan balances as of October 7, 1998. If those criteria are met, you may extend the term of your loan to a total of 25 years.

- Lower monthly payments for the life of the loan

- Pay more in interest compared to standard plan
- Pay for a longer period of time

INCOME-DRIVEN REPAYMENT PLANS:

An income-driven repayment plan may be a good option if your loan payments are high compared to your income. Income-driven plans are becoming increasingly popular; enrollment in them has doubled since 2013.[7]

Under this plan, your monthly loan payments are calculated as a percentage of your discretionary income. Your discretionary income is based on a formula that compares your income to the poverty guidelines for your family and state.

There are four types of income-driven repayment plans:

1. **Revised Pay As You Earn Repayment Plan (REPAYE Plan):** Generally 10 percent of your discretionary income.

2. **Pay As You Earn Repayment Plan (PAYE Plan):** Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount.

3. **Income-Based Repayment Plan (IBR Plan):** Generally 10 percent of your discretionary income if you're a new borrower on or after July 1, 2014. If you're not a new borrower on or after July 1, 2014, your payments will be 15 percent of your discretionary income (but will never exceed the 10-year Standard Repayment Plan amounts).

4. **Income-Contingent Repayment Plan (ICR Plan):** The lesser of 20 percent of your discretionary income or what you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income.[8]

- Payments a low percentage of discretionary income
- Possibility of debt balance forgiveness after long repayment period (maximum of 25 years)

- More in interest compared to a standard plan since you're paying for a longer period of time
- Necessity of reporting income and household size every year for recertification
- If married, spouse's income or loan debt is included if filing jointly
- Forgiven debt balances are treated as taxable income

CASE STUDY: REPAYMENT PLAN COMPARISON

So, which repayment plan is the best deal? That depends on your priority. Do you want to lower your monthly payments as much as possible now? Stretch them out for as long as possible? Pay the least amount of interest possible?

CONSIDER THE FOLLOWING EXAMPLE:

Samantha has $55,000 in student loan debt at an average interest rate of 6.8 percent. Based on her income of $60,000 per year, here are the options available to her and the impact to her monthly payment, length of the loan and total interest paid.

REPAYMENT PLAN

Plans	First Monthly Payment	Last Monthly Payment	Total Interest Paid	Total Amount Paid	Repayment Period
Standard	$633	$633	$20,953	$75,953	120
Graduated	$365	$1,095	$26,730	$81,730	120
Extended, Fixed	$382	$382	$39,522	$114,522	300
Extended, Graduated	$312	$343	$69,047	$124,047	300
Income-Driven Repayment Plans					
Revised Pay As You Earn	$353	$787	$37,162	$92,162	173
Pay As You Earn	$353	$633	$37,504	$92,504	178
Income-Based Repayment (IBR)	$529	$633	$29,121	$78,121	128
IBR for New Borrowers	$352	$633	$37,504	$92,504	178
Income-Contingent Repayment (ICR)	$560	$633	$24,694	$79,694	136

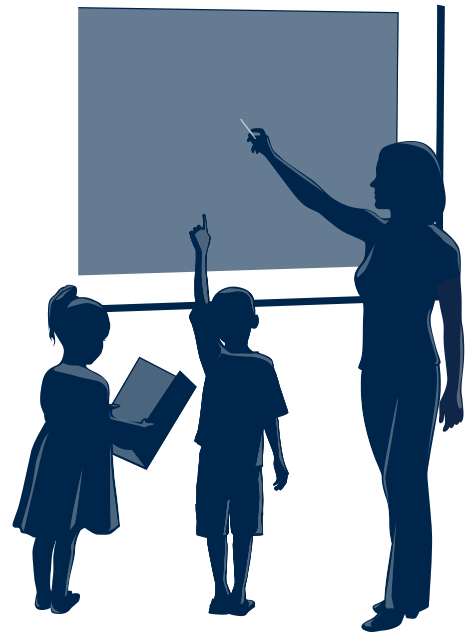
Source: Federal Student Aid Repayment Estimator

As you can see, the standard payment provides Samantha the lowest total amount paid, but it initially requires her to pay significantly more each month. By opting for other payment plans, she could reduce her monthly payment by nearly half in some scenarios.

Repayment plans are not "one size fits all."

To see a similar chart with your information, visit the government's Federal Student Aid Repayment Estimator where you can enter your loans and see the repayment plans available with the associated costs.

2 FORGIVENESS



There are two types of loan forgiveness programs for federal student loans: Public Service Loan Forgiveness (PSLF) and Teacher Loan Forgiveness. PSLF is available to individuals who work for a qualifying entity such as a government organization (federal, state, local or tribal) or a 501(c)(3) not-for-profit organization.[9] Under this program, once you make loan payments for 10 years (and while employed by a qualifying organization), the balance of your loans may be forgiven.

The 10 years do not have to run concurrently; you can work for a qualifying organization for a few years, leave the program and then return at a future date. The key is to have a total of 10 years of service.

If you work as a teacher, you may be eligible for Teacher Loan Forgiveness if you meet certain criteria. You must be a new borrower, teach full time and work in a low-income elementary or secondary school or educational service agency for five consecutive years.

- No limits to the amount that can be forgiven under PSLF.
- Possibility of as much as $17,500 in debt forgiveness under Teacher Loan Forgiveness.
- Any forgiven debt is not included as taxable income.

Public Service Loan Forgiveness (PSLF)

- No track record: The program is new, and as of now no one has completed the required 10 years of service to show qualification to have loans forgiven.
- Only Direct loans qualify. FFEL or Perkins loan programs would need to consolidate under the Direct Consolidation program to qualify.

Teacher Loan Forgiveness:

- You have to be employed for five complete and consecutive years.
- If you move to a private-sector teaching position, you could end up paying more, especially if you lowered your payments assuming the rest of your debt would be forgiven.
- You apply and receive confirmation of being included in the forgiveness program after you've completed your five consecutive years of teaching.

While in PSLF and Teacher Loan Forgiveness programs, your workplace opportunities and earnings potential may be limited compared to other career choices.

Considering a job change? Consider this.

Moving between forgiveness-qualified to non-qualified jobs could cost you, especially if you are on the standard repayment plan as your debt won't be forgiven after 10 years. Make sure you receive annual confirmation from the Dept. of Education that your loan payments are PSLF eligible, and that your employer qualifies under the program.

3 FEDERAL CONSOLIDATION

It's not unusual for college students to graduate with a number of different loans—and potentially, at various interest rates—which is why the idea of consolidating them into a single loan can be enticing.

Not only can consolidation reduce multiple payments down to a single monthly payment, it may also offer opportunities to refinance balances at a lower interest rate. Federal loans can qualify for federal loan consolidation.

- One payment, fixed interest rate and ability to extend loans to lower overall payment
- Ability to move from a variable interest rate to a fixed rate or possibly a lower interest rate
- May maintain eligibility for income-driven plans, forgiveness programs, deferment and forbearance

- If consolidation adds length to the term of the loan, you'll pay more in interest over the life of the loan
- Possibility of losing some borrower benefits such as rate discounts or cancellation
- Depending on current interest rates and credit score, your rate may increase

4 PRIVATE CONSOLIDATION AND REFINANCING

With private consolidation and refinancing, you are working with a bank, credit union or lending agency where you are receiving a new loan to pay off your old loans. Most often, these lenders allow you to combine both private loans and federal loans. Lenders will typically take into account certain factors like your credit history, demonstrated ability to pay bills or your earning potential to determine the loans available to you.

- One payment, fixed or variable interest rate and ability to extend loans to lower overall payment
- Ability to move from a variable interest rate to a fixed rate and potentially to a lower interest rate (based on your income and credit history)

- If you consolidate federal loans into a private loan, you could lose benefits such as the grace period, income-driven plan repayment options, forgiveness programs, deferment and forbearance
- More in interest over the life of the loan if you extended the term of your original loans and your interest rate stays the same

5 DEFERMENT

If you've already begun to pay back your student loans but find yourself in a financial crunch, you may be able to postpone making payments for a while through a deferment. During a deferment, payments are temporarily delayed. If you have subsidized loans, the federal government pays the interest on your loan during a deferment; unsubsidized loans will require you to keep paying the interest that accrues during the deferment period. There are a number of situations that may make you eligible for deferment, including economic hardship, inability to find full-time work or a period of active-duty military.

- Gives you temporary "breathing room" in a financial pinch

- Payments after deferral may be higher; if you don't pay the interest on your loan during deferment, may be added to your principal balance

6 FORBEARANCE

If you can't make your scheduled loan payments and don't qualify for a deferment, you may have another option. With forbearance, you can stop making payments or reduce your monthly payments for as much as a year, and you may request forbearance up to three times—for a maximum of three years total.

There are two types of forbearance:

- **Discretionary:** Your lender decides to grant the forbearance.

- **Mandatory:** Under certain circumstances (for example, if you are in a medical residency program or are activated by the National Guard) your lender may be required to grant the forbearance.

- Gives you temporary "breathing room" in a financial pinch

- Interest accrual continues on your subsidized and unsubsidized loans (including all PLUS loans)

A Note About Bankruptcy

Student loans are rarely removed from your personal liability when filing for bankruptcy. In order for your student debt to be considered for bankruptcy, you must file a separate request (called an adversary proceeding) and prove that if you are required to keep your student loans, it would create undue hardship.

WHAT ELSE SHOULD YOU CONSIDER?

With all the options available, choosing a course of action that's right for you depends not only on the details of your existing loans, but on your comfort with debt, priorities and goals for the future. To help you evaluate the decisions ahead of you, think about the following:

HOW DO YOU FEEL ABOUT DEBT?

Some people are comfortable carrying a loan balance as long as they still have the ability to save for other short- and long-term priorities, such as a house or retirement. Others may not be comfortable having debt at all and want to pay off their loans as soon as possible. There is no right or wrong way to feel about debt. Every person has his or her own perspective, and knowing how you feel will help point you toward the repayment decision that's right for you.

ARE OTHERS ON THE LINE FOR YOUR DEBT?

It's not fun to think about the unexpected, but unfortunate things sometimes happen. If you were to become permanently disabled or—worse yet—die, would someone else be on the hook for your student loan balances?

If you have federal loans, your balances would be canceled. However, the canceled payments will be treated as taxable income for your estate. If you have private loans, your cosigner would be responsible for paying off your loans.

That's why you may want to consider disability income and life insurance. Disability income insurance will provide income to help cover ongoing loan payments (or taxable income for canceled payments). And a life insurance policy, even a low-cost term policy, can help cover the loan (or estate income tax) if you pass away.

Has Student Loan Debt Delayed Your Plans?[10]

55%
say student debt affected their decision to buy a home

61%
say that their student loan debt has contributed heavily to the delay in starting a small business

21%
indicate they've put off marriage as a result of their student loans

62%
say they put off saving for retirement or other investments

IF YOU CAN FREE UP DOLLARS BY CHANGING REPAYMENT PLANS, WHAT WILL YOU DO WITH THE EXTRA MONEY?

If you find yourself with an extra $300-$500 a month, how will your lifestyle and financial goals change? It may be that you're more confident you can pay your bills each month, build up an emergency fund, take a vacation or contribute more toward long-term goals like retirement. Having a plan for the money will help ensure the goals you've established can be met with the loan payment decisions you make. A financial professional can show you how an extra $50 to $100 per month can benefit your long-term savings goals.

KNOWING YOUR OPTIONS PUTS YOU IN CONTROL OF YOUR FINANCIAL FUTURE

You don't need to put your life on hold or risk your future financial security while repaying your student loans. Switching to an alternate payment plan may allow you to pay less each month, either temporarily or for the life of the loan. And you can change payment plans at any time, for free. In fact, more than a third of Federal Direct Loan Program borrowers have chosen alternative repayment plans to lower their payments.[11] You may also be able to defer your payments or even qualify to have your loan forgiven.

You've taken the first step by reviewing the information provided in this guide. Now, take the next steps:

Take stock. Gather the details of your student loans so you know your starting point.

Evaluate your options. Get a sense of which programs you're eligible for and what may work best for what you want to accomplish. The federal government's student loan repayment estimator is one place to start.

Get help. Your student loan debt is just one piece, albeit an important one, of your financial picture. A financial professional can help you see your overall financial plan and how you're tracking toward your goals.

If you're ready to take action and make a student loan change, visit the Federal Student Aid website for guidance on forms and submissions to begin your process. If you want to make a change to your private loan, contact your lender directly.

DON'T LET STUDENT LOAN DEBT OVERWHELM YOU TODAY OR UNDERMINE YOUR HOPES AND DREAMS.

By working with Northwestern Mutual, not only will we take you through a personalized planning process that will help you build your comprehensive financial plan, but we also will meet with you regularly to make adjustments to your plan as your needs and priorities change.

[1] Life Delayed, American Student Assistance, 2015

[2] http://www.nasfaa.org/news-item/570/Essay_Value_Of_College_Degree_Large_And_Persistent

[3] https://www.bostonfed.org/commdev/c&b/2015/winter/ratcliffe-mckernan-who-is-most-worried-about-student-loan-debt.htm

[4] http://www.consumerfinance.gov/newsroom/student-debt-swells-federal-loans-now-top-a-trillion/

[5] Life Delayed, American Student Assistance, 2014

[6] https://www.edvisors.com/ask/faq/average-amount-student-loan/

[7] http://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf

[8] https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven

[9] Look to the Federal Student Aid site for a complete list of qualifying agencies https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service#qualifying-employment

[10] Life Delayed, American Student Assistance, 2015

[11] http://www.consumerfinance.gov/blog/a-closer-look-at-the-trillion/

For specific advice on your particular circumstances, you are encouraged to work directly with your lender(s).

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