

## "How do I pay back my loans on a nonprofit salary?"

It goes without saying that most entry-level work in the nonprofit sector pays modestly. You may find yourself making half as much as your college friends who majored in accounting or engineering, but don't despair. You can still go out, pay your rent, and even pay back your student loan debt.

Take advantage of your resources, especially while you are still in school - talk to a financial aid officer about developing a repayment plan, and look into some different options you may have overlooked:

### •**Forgiveness**

If you participate in certain programs- The Peace Corps, AmeriCorps, and teaching/volunteering in underprivileged communities, the Federal Government will forgive (meaning you do not have to repay) all or some of your student loans. This varies greatly from program to program- for example, the Peace Corps will only pay back Perkins Loans, AmeriCorps offers its full-time volunteers \$4,725 in an Education Award, which can be used for further study or to repay loans. However, such programs are great opportunities to "see the world," whether it be a developing country like Panama or teaching ESL to newly arrived immigrants in Queens. It also adds to your resume, and helps create new connections, exposures, and experiences that will benefit your job search a year or two down the road, and help shape your outlook on the world.

### •**Deferment**

You should not plan for deferment upon graduation, but it's a good backup plan if you find yourself falling upon rough times financially. By deferring your loans, you are saying that you are currently unable to pay them back - because of circumstances such as hardship, unemployment, etc. Only your Subsidized Stafford Loans will not be collecting interest during this period- everything else will, and you must reapply every year.

### •**Consolidation**

This option can often save you a great deal of money, because it averages your interest rates for each loan, and combines loan payments into one monthly payment, instead of separate payments for each loan. This is available for Subsidized and Unsubsidized Stafford Loans, Perkins Loans, and a variety of private loans, although not all. To see if you qualify for consolidation, and to get an estimate of what your monthly payments/saving will be, check out some of the web sites listed below. You will probably also want to talk to a financial aid officer, as s/he can help you with some of the more specific questions you have. Consolidation is a wise option now, with interest rates at an all-time low- they vary however, so it's best to check online, or with a financial aid officer, for the exact interest rate on each individual loan.

### •**Forbearance**

This is when you pay less than the agreed-upon monthly payment, pay the interest and not the principle on your loan(s), or take a break from paying back your loans. This works when you cannot make the minimum monthly payments, but do not want to go into default on your loan. To get forbearance, you must prove economic hardship to your lender(s).

**Useful Articles on Student Loans:**

[http://money.cnn.com/2002/08/08/pf/college/q\\_payoffloans/index.htm](http://money.cnn.com/2002/08/08/pf/college/q_payoffloans/index.htm): Good information about paying back your loans, consolidation, and living frugally- an art many have already perfected in college. The section about IRA's and 401(k)'s may not be relevant to most non-profit employees.

<http://www.usnews.com/usnews/edu/college/articles/brief/02dsaid.b2.htm>: A very inspirational look at a recent graduate with heavy student loan debt, and how she greatly reduced it by exploring year of service programs and other socially-conscious career moves. Also shows you how you can do the same- perhaps the most comprehensive, personalized look at student loan debt for people who are not going into the business world after graduation.

### **Useful Web Sights for Developing a Payment Plan:**

[www.fool.com](http://www.fool.com): Provides light-hearted, accessible advice on debt, frugal living, and creating debt repayment and savings plans for people at all different stages in their lives. The best thing about this sight is their many formulas- you just put in a few numbers, and you're a few clicks away from a good snapshot of your financial health.

[www.kiplinger.com](http://www.kiplinger.com): Although a bit more focused towards finance professionals, still has some very useful articles about varying types of student loans- Stafford, both subsidized and unsubsidized, Perkins, and private-lender loans. Also provides some brief info on programs that forgive Perkins Loan Debt- Peace Corps, and certain social services programs in disadvantaged communities.

<http://money.cnn.com>: Offers helpful information about paying back your loans, with a good discussion of interest rates. This is more aimed towards financial professionals and those with a brief background in economic lingo.

<http://loanconsolidation.ed.gov/index.shtml>: Has links that can help you to access your financial aid history, including loans, and to develop a plan for paying them back.

<http://www.fafsa.com/loans/deferments.htm>: Provides a slightly more detailed description of many of your above repayment options than outlined here.

### **Other Resources:**

You might also want to consider budgeting software, such as Microsoft Money, which creates debt and savings plans after you enter a few key numbers- loan amount, income, and interest rate, asset, etc. Then, you're reminded every month of upcoming payments, and can view reports showing projections of your long-term financial status.

### **Conclusion:**

While it may seem as though your debts will be impossible to pay off on a nonprofit salary, know that there are many like you in the same situation who are able to do it. It may take you twenty years instead of ten and you may have to be a bit creative at times, but there is no reason that your debt should keep you from following a socially responsible career path.