



## *How To Tell If Your Student Loans Are In The RED ZONE*

### **1. Calculate your monthly student loan payment**

#### **Example**

Your total student loan debt \$ \_\_\_\_\_

\$16,500\*

*\*Median undergraduate debt*

Divide by 1,000

16.5

Multiply by 10.61\*. = Your monthly  
loan payment \$ \_\_\_\_\_

\$ 175

*\* Assumes that the interest rate on all your student loans is 5.0% and that you'll pay back your loans using the standard ten-year repayment plan.*

### **2. Calculate your expected monthly salary**

Your expected annual salary \$ \_\_\_\_\_

\$24,000

Divide by 12 = Your expected monthly salary \$ \_\_\_\_\_

\$ 2,000

### **3. Determine the percent of monthly salary going to your monthly loan payments**

Divide your expected monthly loan payment by your monthly  
salary. \$ \_\_\_\_\_

$175 \div 2000 = .0875$

Multiply by 100 = percent of salary going to loans

8.75%

## ***How Much is Too Much?***

### ***Green: Less Than 5%***

You should have no problem paying off your student loans.

### ***Yellow: 5% - 8%***

You are still in good shape, but you need to be careful. If you borrow more, try to keep your percent of salary going to loans around 8%.

### ***Orange: 8% - 10%***

You have borrowed as much as you can manage to repay without significant sacrifices in other parts of your budget. Consider using an alternative payment plan, at least until your salary increases. These plans will lower your monthly payment but raise the total amount you will have to pay over the life of your loan. Think about paying down your undergraduate loans before incurring any additional debts.

### ***Red: Over 10%***

It will be difficult for you to make your monthly payments. Contact your lender or financial aid office about an alternative payment plan. If you are considering graduate school, be sure to talk to your financial aid office.

**IMPORTANT!** If you have credit card debt, you must add that monthly payment as well to obtain an accurate assessment of your ability to repay student loan debt.

**Source: Ohio State University, Office of Financial Aid, <http://sfa.osu.edu/Calculators/RedZone.asp>  
Handout #14**

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