TEXAS GEAR UP

UNDERSTANDING COLLEGE LOANS

PARENT SPOT

UNDERSTANDING COLLEGE LOANS

Taking out loans to help pay for a college education is a pretty common trend these days. Of course, the whole world of loans can be super confusing and complex. But never fear—this handy guide will help you understand the basics of education loans, teach you about the different types of education loans, provide you strategies to reduce college costs, show you things to watch out for, offer tips on how you can help, and demonstrate the role loans can play in your student completing his college education.

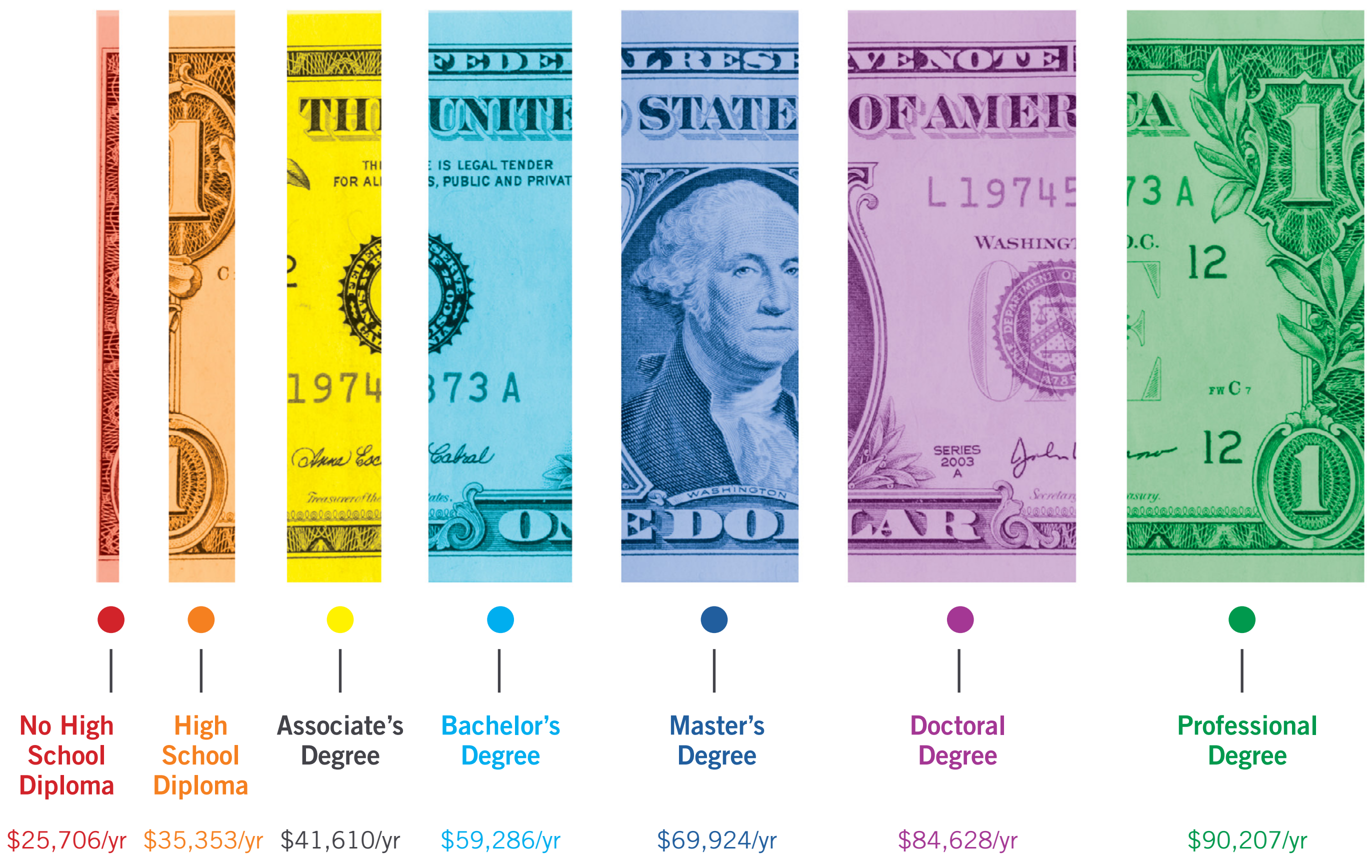
IS COLLEGE ACTUALLY WORTH BORROWING MONEY?

This is such a common question that students and parents ask all the time. The short answer is, “Yes! College is absolutely worth it!” The longer answer is more complex. While college is definitely worth the time and cost, students and families need to be informed consumers, just as with any other type of investment. But investing in college is something that’ll last a lifetime and will positively impact the whole family. It’s estimated that a college graduate will earn TWICE AS MUCH as an individual who only graduated from high school over a lifetime.

Take a look at this chart from TG that shows the value of a college education…

2015 Median U.S. Earnings by Educational Attainment

(for workers age 25 and older)



Source: Bureau of Labor Statistics, Current Population Survey 2015

HOW ARE EDUCATION LOANS DIFFERENT?

Unlike car loans or home loans, most students and families know very little about education loans. Just like any other loan, an education loan is an amount of money you borrow that you're expected to pay back (with interest). A new car lasts you about ten years, and it'll depreciate as soon as you drive it off the car lot. But an education loan is different—your student will gain a lifetime of benefits from her college education. And education loans are not at all like payday loans, because they have lower interest rates, repayment options, and can lead your teen to significantly increase her earning potential with a college degree! Given the impact loans have on a borrower's future, it's hugely important that you're well informed about education loans in case you or your teen might need one.

The basics… Education loans are actually a type of financial aid, which is the money offered to a student to cover education expenses. There are two categories of financial aid:

» **Need-based financial aid** – Awarded to a student based on her family's financial situation to help pay the difference between what the family can afford and what college costs

» **Merit-based financial aid** – Awarded to a student based on her grades, talents, abilities, or other criteria

The good news is that students can be awarded both need-based and merit-based financial aid.

These are the types of financial aid that a student may be awarded in her aid package:

» **Grants** – Free money that doesn't have to be paid back; funding comes from federal or state governments, colleges, and private organizations. Most grants are need-based financial aid, but there are some grants that are both need- and merit-based.

» **Scholarships** – Free money awarded (based on certain criteria) that doesn't need to be repaid. Some may be based on grades, talent, skills or community services; some may consider a student's financial situation. They're awarded by state government, colleges and universities, organizations, and foundations.

» **Work-Study** – Federal financial aid program in the form of part-time employment on or off the college campus. The funds awarded as work-study won't be paid to a student all at once—instead the student must work to earn the money.

- **Loans** – Funds that a student and/or her parents borrow to help pay for college that must be repaid within a specified timeframe.

To learn more about all the different types of aid available to help pay for college, check out the **Intro to Financial Aid video and packet right here in the TXGU Parent Spot.**

WHAT ARE THE STEPS TO FINANCING A COLLEGE EDUCATION?

First (and most important) step: Your child needs to apply for financial aid. This is usually done by completing and submitting the Free Application for Federal Student Aid (FAFSA) at **www.fafsa.gov**. The FAFSA is required for any type of federal financial aid program, and many states, colleges, and organizations also require that a student submit his FAFSA to be considered for aid.

Once a student submits that FAFSA, the U.S. Department of Education generates a Student Aid Report (SAR) that summarizes the information you and your teen provided on the form. It'll also list the Expected Family Contribution (EFC), which is the amount of money that your family may have to pay for college. Just to be clear: The EFC is NOT a bill you'll receive from the college that you have to pay to the school directly. It's actually what the federal government has calculated as the amount of money that the family is expected to contribute towards the cost of a college education. This can include covering the costs of transportation, buying books, having your teen live at home, or helping with part of her tuition. Note that the EFC will stay the same regardless of which college your student attends.

Colleges will use your EFC in the following formula:

Cost of Attendance – EFC = Financial Need

Cost of attendance (CoA) is how much it costs to go to a college for one year (two semesters) as determined by the college. This amount varies for all colleges and usually includes such costs as:

- Tuition and fees
- Room and board
- Books and supplies
- Transportation
- Personal expenses

Colleges are required to post this information on their website, usually under the admissions, financial aid, or business office areas. You should note that all these costs may not apply to your child. The specific amounts will also depend on your student's college plans. Below are some examples to help show how the estimated cost of attendance can differ depending on where your student lives while enrolled in college.

If your student **lives at home with you** while attending college full-time (15 hours each semester), the estimated cost of attendance for one year (fall and spring semesters):

	THE UNIVERSITY OF TEXAS AT SAN ANTONIO	AUSTIN COMMUNITY COLLEGE	TEXAS TECH UNIVERSITY
TUITION + FEES	$10,013	$2,550	$10,772
ROOM + BOARD	$3,384	$3,264	$2,812
BOOKS + SUPPLIES	$1,500	$1,200	$1,200
TRANSPORTATION	$2,160	$1,600	$2,300
PERSONAL EXPENSES	$1,296	$2,208	$2,120
TOTAL ESTIMATED COST OF ATTENDANCE	**$18,353**	**$10,822**	**$19,204**

If your student **does not live with you** while attending college full-time (15 hours each semester), the estimated cost of attendance for one year (fall and spring semesters):

	THE UNIVERSITY OF TEXAS AT SAN ANTONIO	AUSTIN COMMUNITY COLLEGE	TEXAS TECH UNIVERSITY
TUITION + FEES	$10,013	$2,550	$10,772
ROOM + BOARD	$11,234 (dorm)	$9,472 (apartment)	$9,384 (dorm)
BOOKS + SUPPLIES	$1,500	$1,200	$1,200
TRANSPORTATION	$2,160	$1,600	$2,300
PERSONAL EXPENSES	$1,296	$2,208	$2,120
TOTAL ESTIMATED COST OF ATTENDANCE	**$26,203**	**$17,030**	**$25,776**

Colleges determine your teen's **financial aid award package** by trying to meet her **financial need**. But sometimes a student can wind up with **unmet need**, which is the difference between the financial need and the amount of financial aid that's awarded.

You should be aware of the **real cost** (sometimes called "net cost") to students and families for attending a college. This amount includes any out-of-pocket expenses that the student or family is responsible for—like the estimated family contribution (EFC), loans, and unmet need. Basically, this involves any costs that aren't covered by free financial aid and are "coming out of the pocket" of students and parents.

Take a look at the following example for two colleges anywhere in Texas that explains the differences between the types of costs:

		COLLEGE A	COLLEGE B
A	COST OF ATTENDANCE (CoA)	$8,850	$23,600
B	EXPECTED FAMILY CONTRIBUTION (EFC)	$2,000	$2,000
C	FINANCIAL NEED (A-B)	$6,850	$21,600
FINANCIAL AID AWARD PACKAGE			
D	GRANTS	$4,650	$5,000
E	WORK-STUDY	$1,200	$3,000
F	LOANS	$1,000	$3,000
G	SCHOLARSHIP(S)	$0	$6,000
H	TOTAL AID (D+E+F+G)	$6,850	$17,000
J	UNMET COST (C-H)	$0	$4,600
	REAL COST TO STUDENT AND PARENT (B+F+J)	**$3,000**	**$9,600**

WHAT ARE THE MAIN FACTORS THAT CONTRIBUTE TO THE COST OF COLLEGE?

While there are some factors that contribute to the cost of college that you simply can't control (such as university fees, levels of state funding, cost of textbooks), there are definitely some factors that you and your child should consider when researching the colleges that he's interested in.

LOCATION

Where a college is located may affect your out-of-pocket expenses. If the college he chooses is in the town/city that you live in, then you may be able to save on room and board expenses. Travel costs to/from the college will also be less, since he'll only need to commute locally. Attending a college in the same city can also help because your teen may already be familiar with the campus. And he might be able to tap into local programs or scholarships that may not be available to him if he attends college away from home.

However…there are certainly some things to be cautious about if your child decides to attend a college in his hometown. First, his school choices may be limited if you live in a small town or rural area (versus a larger city). Another real concern is "undermatching"—which is when a student who's academically capable to enroll in a highly-selective college chooses a less-selective college instead. Sometimes students and families make these types of decisions solely based on the cost of the college because of the family's limited financial resources to pay for it. But ultimately, it's always best if your student chooses a college that "fits" him academically, socially, and financially.

Going to college out of town can offer your student tons of opportunities for self-development, maturity, and growth because he'll be on his own, managing his budget, time, and care. He might also find a better "match" to his academic capabilities, talents, or intended major. And there's a strong chance he could discover that there are more programs or initiatives for students from limited financial resources, and/or minority or first-generation students.

The disadvantage of attending an out-of-town college is that living, meal, and travel expenses may be higher. He'll have to live on campus or get an apartment—plus purchase a meal plan or buy food to make his own meals. There's also the cost of traveling to/from the college at least a few times. Another concern is that if your teen decides to attend college outside Texas, he may have to pay out-of-state tuition depending on the school he chooses.

TYPE OF COLLEGE

The kind of school that your student decides to attend will probably also impact your costs. Typically, community colleges and technical/vocational schools are the most economical options. If your child attends a community college, you should make sure he meets regularly with his advisor to keep on track to complete his associate's degree and/or to transfer to a university. Research has shown that students who attend community college have lower completion rates and take more hours than are needed to transfer to a four-year school.

A public university is usually less expensive than a private university because the public option is funded in part by the state or federal government. But private universities can usually offer students more scholarship and financial aid opportunities due to larger institutional endowments—so that's a very big plus.

HOW CAN WE LOWER THE AMOUNT OF EDUCATION LOANS NEEDED?

Happily, there are absolutely things that students and parents can do to reduce the amount of loans necessary…

- **Apply for more scholarships.** They're free money for college. There's nothing better! Increasing the amount of scholarships received can reduce the amount of loans needed—or even eliminate the need to borrow any money entirely.

- **Complete more dual credit classes.** The number of dual credit classes that your teen completes in high school can lower the number of classes she needs to take in college. While this'll save her money, it's important that the classes she receives credit for will count towards her degree. Otherwise, she won't actually save any money by taking dual credit classes, which would certainly be disappointing.

- **Take Advanced Placement (AP) classes and pass the AP exams.** The AP exams your teen passes in high school will automatically decrease the amount of classes she needs to take in college, which reduces college costs.
- **Explore part-time employment.** Your child can earn extra money by working part-time during college. The best option is for her to get a job on campus through the work-study program, which will allow her to work around her classes, meet staff on campus that can mentor and advocate for her, and support her staying focused on her studies. If she works off-campus, then she must be sure that her job doesn't negatively affect her grades by consuming her time, focus, and energy (research recommends not working more than 12-15 hours per week). Also, the wages she earns through outside employment may impact the amount of financial aid that she's eligible for in the future—which is obviously quite important to keep in mind.
- **Sign up for installment/payment plans offered by the college.** Schools offer students installment plans to help them pay for their classes if they don't have the funds needed when the bill is due. Your teen can sign up for the installment plan by logging into the college's student portal. She'll have to make some type of payment at the time she selects the plan—usually 1/3 of the total due. Then she'll pay the remaining balance in two or three installments.
- **Appeal financial aid award package to the college.** The financial aid award package that the college prepares for your student is based on information that was provided on her FAFSA. If there are special circumstances or situations that your family is experiencing, then your child can appeal her award package. She'll have to submit specific paperwork and documentation to support her appeal. You can find more details by visiting the Financial Aid Office or the college's website.
- **Cut back on expenses.** Your teen can also reduce her expenses while in college by:
  - **Setting a budget for each semester and sticking to it.** This'll take some real discipline on her part. She'll need to account for every dollar she spends and make sure she's spending only on "needs" and not "wants."
  - **Living with roommates.** She can save money on her room and board by splitting living expenses with roommates. This may also allow her to save on meal expenses by sharing grocery costs and eating out less.

- **Exploring low-cost options for textbooks.** Your student can look into renting her books to save money. She can also purchase her textbooks from online booksellers or buy used books to lower expenses.
- **Using public or free transportation.** If your student will live off campus, be sure she chooses an apartment on the campus shuttle route. This'll lower her gas and parking costs. And if your student lives at home, she can likely use your city's public transportation system. She should visit the student center on campus to get a student bus pass that'll give her reduced fares.

UNDERSTANDING COLLEGE LOANS

WHAT ARE THE DIFFERENT TYPES OF EDUCATION LOANS?

Education loans come from three different kinds of sources: the federal government, state programs, and private organizations. Like you might guess, federal and state loans are funded by state and federal governments. Under these loan programs, all borrowers are given access to the same terms and repayment options.

Private loans, on the other hand, are offered by banks, credit unions, and other organizations. That means that qualifying for these loans, interest rates, and repayment options will vary from lender to lender—and the details aren't likely to be as good for the borrower as those offered by federal loans.

Key Differences Between Federal, State & Private Loans

	QUALIFYING FOR THE LOAN		
	FEDERAL LOANS	STATE LOANS	PRIVATE LOANS
CO-SIGNER REQUIRED	No	Required if student does not pass credit check	Yes (if borrower doesn't pass credit check)
CREDIT CHECK REQUIRED	» No for student loans » Yes for parent loans (score requirement is not as high as for other loans)	Yes	Yes (credit check is tougher than for federal loans)
INTEREST RATE	Fixed	Fixed	» Can be fixed or variable » Typically have a higher interest rate » Interest rate can be lower at first, but may increase every year

	REPAYMENT BENEFITS		
	FEDERAL LOANS	STATE LOANS	PRIVATE LOANS
ALLOWS PAYMENTS BASED ON MONTHLY INCOME	Yes	Yes	No
CAN POSTPONE PAYMENTS DUE TO ECONOMIC HARDSHIP	Yes	Yes	No
	OTHER REPAYMENT ADVANTAGES		
CAN PREPAY LOAN EARLY WITHOUT PENALTY	Yes	Yes	No
LOAN FORGIVENESS FOR EMPLOYMENT IN PUBLIC SERVICE JOBS	Yes	Yes	No
FORBEARANCE DUE TO FINANCIAL HARDSHIP	Yes	Yes	Yes, but limited options
DEFERMENT DUE TO UNEMPLOYMENT OR FOR POSTSECONDARY ENROLLMENT AT LEAST HALF-TIME	Yes	Yes	Yes, but limited options

KNOW THE INDIVIDUAL LOAN PROGRAMS

There are several education loans that you should be familiar with, but before you review them, get to know some terms that'll help you understand the whole process better:

SUBSIDIZED LOAN

A loan where the federal government pays the interest as long as the student is enrolled in college at least half-time (typically six credit hours). For these loans, the government also agrees to pay the interest during the student's grace period (see definition below).

UNSUBSIDIZED LOAN

A loan where the federal government does NOT pay the interest. This means the borrower is responsible for paying the interest—but this payment can be deferred (see definition below) if the student is enrolled at least half-time.

ENTRANCE COUNSELING

Required loan counseling designed to ensure student borrowers understand their responsibilities and obligations in repaying their loans.

PLUS CREDIT COUNSELING

Loan and credit counseling session for parents who don't have good credit history and are approved to borrow a Parent PLUS loan.

GRACE PERIOD

The period from the day a student graduates, leaves school, or stops being enrolled at least half-time to the day repayment is scheduled to start. (Federal student loans have a six-month grace period.)

ACCRUED INTEREST

Interest on a loan that continues to grow and accumulate.

DEFERMENT

A period when borrowers are allowed to postpone repayment of their loans. While on deferment, interest on subsidized loans continues to generate but is paid by the federal government. All other loans (with unsubsidized interest) continue to accrue interest, and the interest is added to the principal balance of the loan. Deferment can be approved for things like economic hardship, unemployment, and at least half-time enrollment at an eligible college or career school (like continuing on to graduate school).

FORBEARANCE

A period when borrowers are allowed to postpone repayment of a loan, but interest continues to accrue and borrowers are responsible for paying it—or it's added to the amount of the loan. Among other reasons, forbearance may be approved due to financial hardship (including unemployment), if student loan payments are 20% or more of the borrower's monthly income, or if borrowers are in full-time teaching jobs at schools that serve low-income families.

THE MOST COMMON EDUCATION LOAN PROGRAMS

STUDENT LOANS				
PROGRAM	**DESCRIPTION**	**ELIGIBILITY**	**ANNUAL MAXIMUM FOR 1ST YEAR COLLEGE STUDENTS**	**REPAYMENT REQUIREMENTS**
FEDERAL DIRECT SUBSIDIZED LOAN	» Funds from federal government » Fixed interest rate	» FAFSA required annually » Enroll at least half-time (usually six credit hours) » Must first determine eligibility for Federal Pell Grant » Must undergo entrance counseling **Unsubsidized loans may be awarded if student's eligibility for subsidized is lower than the $3,500 annual maximum under the subsidized loan program*	» $3,500	» Begins six months after student stops being enrolled at least half-time » Deferment and forbearance are allowed
FEDERAL DIRECT UNSUBSIDIZED LOAN	» Funds from federal government » Fixed interest rate	» FAFSA required annually » Enroll at least half-time (usually six credit hours) » Must first determine eligibility for Federal Pell Grant » Must undergo entrance counseling	» Up to $5,500 if student qualifies for the maximum and isn't eligible for any subsidized loan amount	» Begins six months after student stops being enrolled at least half-time » Deferment and forbearance are allowed
COLLEGE ACCESS LOAN (CAL) PROGRAM	» Texas state funds allocated to institutions » Fixed interest rate	» Be a Texas resident » Enroll at least half-time (usually six credit hours) » Be enrolled in a certificate or degree program » Credit check » Co-signer required if student does not pass credit check (and co-signer must be legal permanent resident or U.S. citizen)	» Up to the cost of education minus all financial aid (including federal loans even if not accepted), but institution may set a lower limit » Not based on need	» Begins six months after student stops being enrolled at least half-time » Deferment and forbearance are allowed

STUDENT LOANS

PROGRAM	DESCRIPTION	ELIGIBILITY	ANNUAL MAXIMUM FOR 1ST YEAR COLLEGE STUDENTS	REPAYMENT REQUIREMENTS
PERKINS LOAN	» Federal funds awarded to institutions » Interest rate: 5% » Not all universities participate	» FAFSA required annually » Enroll at least half-time » Have extreme financial need (determined by the college's Financial Aid Office)	» Amounts are determined by each university	» Begins nine months after student stops being enrolled at least half-time » Deferment possible
PRIVATE LOANS	» Funds from private lenders » Interest rate varies by lender	» Enrollment requirement varies by lender, but most require at least half-time » Credit check » Co-signer required if student doesn't pass credit check	» Varies by lender	» Varies by lender

PARENT LOANS

PROGRAM	DESCRIPTION	ELIGIBILITY	ANNUAL MAXIMUM FOR 1ST YEAR COLLEGE STUDENTS	REPAYMENT REQUIREMENTS
DIRECT PLUS LOAN	» Funds from federal government » Fixed interest rate	» Student must be enrolled at least half-time » Credit check » If credit is unfavorable, must undergo PLUS Credit Counseling	» Can't borrow more than difference between cost of attendance and financial aid received by student	» First payment due 60 days after parent receives the loan » Deferment possible

UNDERSTANDING COLLEGE LOANS

HOW DO WE APPLY FOR AN EDUCATION LOAN?

Applying for loans to pay for college is a multi-step process that starts with completing the FAFSA. Since education loans are the least advantageous source of financial aid (compared to free aid like grants and scholarships), the application process is designed to make sure students and parents are considered for other free aid programs first. The basic process of getting a loan for students and parents is described below.

1. IT TAKES MORE THAN THE FAFSA

Completing the FAFSA is only the beginning of the process. Colleges and universities will request additional information, which must be submitted in order for your student to complete the financial aid application process. Requests for missing or required info are communicated to your student via email, and can also be viewed online through the college's student portal.

2. CHECK THE FINANCIAL AID PACKAGE

Once all financial aid application requirements have been met, the university will send your teen a financial aid package (also called the award letter) listing all the sources of aid he qualifies for. If your student is eligible for and is being awarded a Federal Subsidized Direct Loan, it'll be listed on the award letter. In some cases, universities may also award other loans—like a Federal Unsubsidized Direct Loan, or even a Parent PLUS loan.

Note about private loans: Private loans are never awarded through the Financial Aid Office. These loans are obtained separately from a bank or credit union. Therefore, students and parents must research and apply for them on their own.

3. ACCEPTING THE LOAN

After the college has offered a loan, the next step is to officially accept it. Colleges typically allow students to accept loans via the student portal. Your child can simply reenter the loan amount and select the option to accept.

Borrow wisely: Of course, your teen shouldn't just automatically borrow whatever the university has awarded. The actual amount borrowed must be based on the family's estimate of what's truly needed. That means if only a smaller loan amount is needed, your student can enter that lower amount and select the accept option.

If your child's college doesn't offer an online process, then he won't be able to accept or decline individual sources of aid—he'll only be able to accept or decline the entire financial aid package. (It'll basically be all or nothing.) In this case, he can notify the Financial Aid Office of his intent to borrow less in writing.

WHAT IF NO LOAN WAS OFFERED OR A HIGHER AMOUNT IS NEEDED?

Not all students are awarded a loan—or the loan amount offered may not be what teens and parents estimate they need to cover all their college costs. This means you'll have to contact the Financial Aid Office to explore the possibility of obtaining additional funding. (And they're available to help with funding issues for the entire duration of your student's time in college, so they're not only a go-to resource for the first year.)

When you ask for more funding from the Financial Aid Office, your first priority is to request consideration for additional grants or scholarships, especially if you have special circumstances that impact your ability to pay for college—like a drop in income or high medical expenses. Financial Aid Offices at every university have procedures for these special cases, so it's important that you contact them and follow their instructions.

Otherwise, to get an increase on a direct loan (subsidized or unsubsidized) or a Parent PLUS loan, a written request must be submitted to the Financial Aid Office. If your child is requesting an additional student loan, he'll have to specify if he's interested in borrowing an unsubsidized direct loan. This'll authorize the Financial Aid Office to consider him for an unsubsidized loan if he doesn't have any remaining eligibility for a subsidized loan. Once the request for an additional loan is reviewed, the Financial Aid Office will notify your teen and provide him with an updated financial aid award letter.

4. COMPLETING THE LOAN APPLICATION

After the Financial Aid Office confirms eligibility for a direct student loan or a Parent PLUS loan, there are still several steps that must be completed to receive the funds. The college will likely contact your child via email with specific instructions. This will be one of many instances when the university will communicate virtually with your child to pass along important information. So he should definitely check his email regularly and ensure that his email address is up to date in the school's files.

Your student will have to complete a loan application/promissory note, sometimes referred to as the "Master Promissory Note" (MPN) or the "promissory note." The term "promissory note" basically means a promise to repay a loan.

This MPN contains several sections and includes important info for borrowers (you and/or your student) and is always completed online at a link provided by the college. The basic sections of the MPN are:

- **Borrower Information and Reference Information:** These sections are considered the application because they're where the student or parent provides personal info like name, Social Security number, date of birth, and references.
- **School Information:** No need to worry about this section—it's completed by the school, not by the student.
- **Dependent Undergraduate Student Information:** This section is for parents and is only included on the Parent PLUS application.

The following sections make up the rest of the MPN—and they're particularly important because they contain details and information about the terms and conditions of the loan and the borrower's rights and responsibilities. Read all information VERY carefully before signing the section titled Promise to Pay.

- **Borrower Request, Certifications, Authorizations and Understandings:** As suggested by the title, this section informs the borrower that by signing the "Promise to Pay" section (see below), he or she certifies the information provided and authorizes the processing of the loan.

- **Promise to Pay:** This section is signed by the borrower (the student or parent), acknowledging their intent to borrow AND repay the loan funds. It's also a certification that they have read ALL the terms and conditions of the loan.
- **MPN Terms and Conditions:** Strictly informational, this section provides details on the terms and conditions of the loan, repayment options, and the borrower's rights and responsibilities.

5. ENTRANCE COUNSELING FOR STUDENTS AND CREDIT COUNSELING FOR (SOME) PARENTS

For your child, entrance counseling is the final step in applying for a direct student loan. It's a federal requirement designed to make sure student borrowers understand their responsibilities and obligations in repaying their loans. This counseling session is typically done online, although some colleges may require your teen to attend a workshop or presentation.

For parents, a PLUS credit counseling session is required if they don't have good credit history and are approved to borrow a Parent PLUS loan. No counseling is required for other parent borrowers.

UNDERSTANDING COLLEGE LOANS

WHAT CAN WE DO TO MANAGE OUR BORROWING?

When it comes to borrowing, students and parents should definitely proceed super-cautiously. Although families try to make the best borrowing decisions to avoid unmanageable debt, many find it difficult to focus beyond what needs to be done from year to year. Some don't realize until after college graduation that they've accumulated high levels of debt that are difficult to manage.

The key to managing debt is to NOT wait until after college graduation. There are steps you and your child can take before you borrow and during the college years that can help you keep debt low and much more controllable.

» **Borrow only what you need and can comfortably pay back.** It's so important that you try to estimate how much borrowing is too much for you and your student. And it's actually not hard to do if you know how to go about it. There are **online student loan repayment calculators** that'll help you put real numbers to this process.

» **Borrow what can be paid back in ten years.** Most education loan experts recommend borrowing only what you can afford to pay in ten years. Just keep in mind that whatever that amount is, you'll have to divide it by the number of years you anticipate your child will be in college to determine how much to borrow per year.

» **Research salaries.** Students can start by researching average salaries in their dream career field to get an idea of the income they'll have available for living expenses and loan payments after college graduation. And some experts advise that total student loan debt should be less than the student borrower's estimated post-graduation annual salary—so the research will conveniently help with that guideline, as well. The **Occupational Outlook Handbook** from the U.S. Bureau of Labor Statistics is a strong resource for learning about career paths, their projected industry growth, and average wages.

- **Estimate loan payments.** Next, estimate what portion of earnings will have to be devoted to loan payments. There are several loan payment calculators online that can help you estimate this amount (like **NerdWallet**).
- **Keep track of how much you're borrowing.** Make sure you keep a careful record of how much you're borrowing per year—and in total (all years combined). This'll help you stay within the maximum loan limit you and/or your teen have set for yourselves.
- **Parents should borrow wisely.** Most parents are inclined to continue to play the role of provider for their children when it comes to paying for their kids' education. For some parents, this means taking on more debt than they can handle. While this is admirable, there are good reasons why parents should consider maximizing what their student can borrow before taking on high levels of parent loans—which can be difficult to pay back:
    - Students may be able to borrow subsidized loans, which aren't available under the Parent PLUS loan program.
    - Repayment options based on actual earnings means lower payments for students as they begin their career at entry-level pay.
    - Parent PLUS loans have to be paid almost immediately—they don't qualify for school-enrollment deferment like student loans.
    - Students can opt for a public service career that qualifies for loan forgiveness—like public safety, early childhood education, and public education jobs offered by eligible service organizations.
    - A college graduate has more time to plan and save for retirement.
- **Take advantage of every opportunity to lower debt by returning unused funds.** If your strategy to keep college costs low is working, and you find that you or your student have unused loan funds, it pays to return them. By returning the funds, you not only lower your debt, you also decrease what you have to pay in interest.
- **Pay off interest each semester.** If you have unsubsidized loans that are accruing interest, it pays big to make interest payments as you go (if you're able). Unpaid accrued interest becomes part of your loan balance, which results in higher interest owed every month.

WHAT CAN I DO TO HELP MY STUDENT?

While you certainly don't have to worry about being the education loan expert, there are some things you can do to help your student…

» Make sure your teen files her FAFSA as early as possible—and does so every year!

- Remember that FAFSAs can be filed as early as October 1st of your teen's senior year
- Ensure she completes all the college's financial aid requirements as soon as possible

» Help your student identify and apply for scholarships

- Make sure she considers all sources of scholarships, including the scholarship programs of the colleges she's applying to
- Assist your child with keeping track of extracurricular activities, community service, academic classes, and honors

» Review the financial aid package with her

- Help her estimate how much of the cost will have to come from family resources. This is a good time for straight talk with your teen about her share of the responsibility for college expenses. Be upfront so everyone's on the same page. She can help pay for college through summer employment, part-time work (on or off campus), and (of course) other financial aid.
- Compare the family's costs at the various colleges she's applying to
- Research alternative solutions to meeting costs not covered by financial aid (besides borrowing)
- Encourage and accompany her to meet with college financial aid staff during the summer before the fall semester

» Help your child find answers to loan questions

- Consult with the Financial Aid Office at the college
- Visit the Federal Student Aid website (**www.studentaid.ed.gov**)

» **Motivate her (and yourself) to keep focus on the goal and value of a college education!**