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JUN 23, 2016

4 Steps to Help Your College Student Borrow for School

Paying for college typically requires a mix of saved money, grants and scholarships, and federal and private student loans. Your child will automatically apply for federal loans by filling out the Free Application for Federal Student Aid (FAFSA®), but you'll want to compare those offers with private loan options to find a combination that works best for you.

Taking out student loans can be overwhelming, but working together as a family to research loans will help make the decision a little easier. Follow these steps to get started.

1. Understand what loans cover

Both federal and school-certified private loans fund will first go directly to the school to cover tuition, room and board, a meal plan and fees; the balance is sent to your child to cover things like textbooks and supplies, off-campus housing expenses or transportation.

2. Determine how much to borrow

School-certified private loans are consistent with your college's cost of attendance to prevent over-borrowing. Even so, you should aim to borrow the **least amount possible** to cover your tuitior and other college-related expenses. To determine that amount, you'll want to figure out your a cost of attendance; your school's website is a great resource to find this information. Next, fact

3. Compare loan features

You'll want to understand the interest rate of the loan (as well as whether it's **fixed or variable**). Other important factors to take into account include any fees and how they affect the loan balance, in addition to the payment start date and timeline.

Knowing whether the borrower is required to make payments on the loan while in school, and what if any penalties there are if those payments aren't made, is important as well. Even if you don't have to make payments while in school, interest often accrues on your loans during this time. If possible, making payments while in school can lower the overall cost of borrowing. If you have any questions about the terms of your loan, ask your lender for clarification.

4. Consider a cosigner

Unlike federal loans, which have government-set loan limits, the amount that you can borrow via private student loans depends not only on the cost of the school but on the borrower's credit profile. If like most college-aged students heading off to school, your child doesn't have much of an established credit history, she might have trouble securing a loan. Helping her by acting as a cosigner – someone who will sign on to be equally responsible for the loan – may help her get approved or obtain better rates.

5. Plan for payments

Before you take out a loan, it's important to think ahead about how you or your child will cover the payments once they finish school. You can use a **monthly payment calculator** to estimate how much the student loan payment will be after graduation. Keep in mind the **starting salary** for their major and then factor in the student loan payment, as well as other monthly expenses such as rent, utilities, your phone bill and groceries when considering what your child will be able to afford.

Also, remember that there are things you can do to reduce future student loan payments. A lower rate and making payments while your student is in school will cut back both the total loan cost and the monthly payment after graduation.

Figuring out the right combination of loans may seem like a lot of work. But if you put in the tir now and make a plan, your child will be able to head off to school with one less thing to stress .

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