

Thinking of student loans? Do some homework

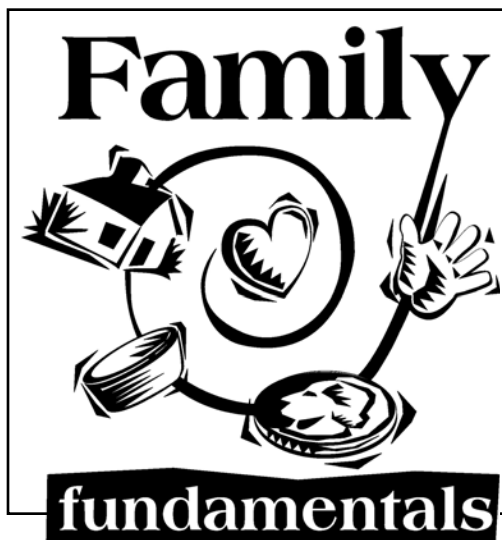
Our son is about ready to apply to college. We know he will need some loans, but we think they should be limited. He says this is “good debt” and tells us not to worry about it. We want to learn more, but where do we start?

College financing can be complex and the decisions overwhelming. Helping your son realize the implications of taking on too much debt could be one of the most important lessons he learns.

More and more people are concerned about the level of student debt, which has topped \$1 trillion in the United States. According to the Institute of College Access and Success, two-thirds of college seniors graduated with loans in 2010, carrying an average of \$25,250 in debt, with some reaching \$55,000. And that doesn't count graduate or professional school.

According to the FinAid website, which offers great guidance (<http://www.finaid.org>), financial advisers recommend students limit total student loans to less than what they expect to earn as their starting salary after they graduate. That means those studying to be teachers or artists, for example, should be much more cautious than those studying engineering or computer science.

There are several types of loans available to finance a college education. Federally backed need-based loans — the Federal Perkins Loan and the subsidized Stafford Loan — generally offer the best terms. Non-subsidized federal loans — the unsubsidized Stafford Loan



or the Parent PLUS loan (made to parents, not students) have higher interest rates but are more widely available. Private loans — from foundations, banks or other financial institutions — generally have higher interest.

Different types of loans have different repayment options. Some loans allow stretching repayment periods to up to 25 years. Some allow monthly payments to be based on income.

Your son's college financial aid office can help sort through the details. But to prepare, the nonprofit College Board has useful information at <http://bigfuture.collegeboard.org/pay-for-college/loans>. A good place to start is “8 Tips for Taking Out Student Loans.”

Also, the information at <http://www.cashcourse.org/osu> can help. Go to the website, backed by the National Endowment for Financial Education, and click on “Paying for College.” There's a lot of information there, but it's presented in easily digestible pieces. Just start at the beginning, and you'll learn a lot.

Beyond that, encourage your son to apply for as many scholarships and grants as he can. This “free money” does not have to be repaid, and if he finds enough, he might be able to graduate debt-free. It takes effort, but the time and energy spent on applying for scholarships could pay off big and allow your son to start his post-college life in a much more comfortable financial position.

Family Fundamentals is a monthly column on family issues. It is a service of Ohio State University Extension and the Ohio Agricultural Research and Development Center. Send questions to Family Fundamentals, c/o Martha Filipic, 2021 Coffey Road, Columbus, OH 43210-1044, or filipic.3@osu.edu.



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Dear Subscriber: This column was reviewed by Nancy Stehulak, Family and Consumer Sciences educator for Ohio State University Extension.

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