

Paying for College Guide

The college acceptances are in. Merit scholarship and financial aid packages are on the table. This is the time that families start to contemplate how they will now pay for college or what funds they should tap first when paying for college. The following is a list of our prioritized suggestions for funding your student's college education:

1. **Accept any free monies from the college:** scholarships, grants, and work study. It is important to note that work-study requires students to find a job on campus and perform the work to earn a work study paycheck. Students often use these funds as discretionary money during the semester or bank it for books and expenses for the following semester.
2. **Use any saved money** earmarked for education, like 529 accounts or UGMAs. Money from grandparents and non-custodial parents should be used with discretion. Contact CAP for details.
3. **Direct Subsidized/Unsubsidized Stafford Student Loans:** These loans are the safest option to stretch the family's available cash reserves and give the students a little "skin in the game". To be eligible for these loans, you must submit the FAFSA each year to your school. Whether they are subsidized or unsubsidized will depend on whether you qualify for need-based aid per the FAFSA.
 - These loans are meant to extend the resources you have already and have caps to what you can borrow, so they alone will not result in overwhelming debt at the end of four years:
 - o \$5,500 for freshmen year
 - o \$6,500 for sophomore year
 - o \$7,500 for junior year
 - o \$7,500 for senior year

- These loans are the ONLY ones that a student can take out in his or her name alone; no cosigner needed and are guaranteed by the government.
 - For the current interest rates, visit:
<https://studentaid.gov/understand-aid/types/loans/interest-rates>
 - Payments are deferred until six months after graduation or when a student drops below half time status.
 - **Subsidized loans:** Interest does not accrue because it is paid by the government until repayment begins.
 - **Unsubsidized loans:** Interest does accrue. The student (or parents) can (but are not required to) make the monthly interest payments to help keep loan balances in check.
 - Another important aspect of the direct loans is called the Loan Forgiveness Program. For more information, please visit:
<https://studentaid.gov/manage-loans/forgiveness-cancellation>
4. **Pay as you go:** Most colleges offer an interest free, installment plan. If you or your student can consider this as an option for all or part of the balance, we encourage you to do so.

Once those options are exhausted, you may want to consider:

5. **Home Equity Loans** or Home Equity Lines of Credit (HELOC).
6. **Private Student Loans:** Credit union student loans or select banks. A co-signer will be required and the interest rate will be based on that co-signer's credit rating. When looking for these private loans, a few things to keep in mind are:
- To make sure they offer deferred payments until 6-9 months after the student graduates.
 - To investigate the interest rate, which may or may not be deferred, and determine what is best for you: fixed or adjustable rate.

- Origination fees: compare free or low origination fees.
- Removal of cosigner after 12-24 months of on time payments may be available.
- Interest rate reduction after consecutive months of on time payments may be available.

Suggested lenders:

- For the most up to date loan options please visit our website: <https://www.collegeassistanceplus.com/services/student-loans/>
- Two sites that compare student loan options: www.simpletuition.com and www.collegeavestudentloans.com.

7. **Parent Plus Loans:**

- We recommend these loans as a **last** resort due to the origination fees, higher interest rates, and restricted ability to consolidate or refinance.
- These loans are in the parent's name and are not based on a person's credit rating, making these a good option for someone who can't take out other, lower cost private loans as noted above.

Other resources:

<http://www.finaid.org/loans/>
<http://www.finaid.org/loans/studentloan.phtml>