THE LOWDOWN ON LOANS

STEPS TOWARDS PAYING FOR COLLEGE:

1. CHOOSE SCHOOLS

- Of the schools you are interested in, compare costs and potential scholarships.

2. SUBMIT THE FASFA

- You MUST fill out the FASFA. The form opens January 1st 2015. Do it early!! You may list up to 6 schools on the FASFA that you are interested in attending.

3. AWARD LETTERS

- The schools you listed on your FASFA will send you a financial aid package (award letter) outlining the aid they are willing to give you. Read these carefully.

4. FILL IN THE GAPS

- If, between your/your parent's contribution and scholarships and grants, you still owe money, you must use loans to fill in the gaps

5. MAKE THE RIGHT LOAN DECISION

The cost of a college education is increasing at an alarming rate. Financing a four-year college education often requires some sort of financial assistance. You might agree to accept student loans when your grant, scholarship and out-of-pocket contributions are exhausted. You may qualify for one or more types of loans to cover tuition, room and board, and book expenses. Loans must be repaid with interest.

Three basic types of student loans are available: the Stafford Loan, Perkins Loan and the PLUS Loan. The Stafford Loan requires no collateral, has a low interest rate and must be repaid beginning six months after graduation for students attending school at least "half time." (Half time means you have to be taking at least six credit hours a semester.) You may borrow a minimum of $2,625 your freshman year and up to $5,500 your senior year. In many cases, the Stafford Loan can be subsidized based on financial need, meaning that interest will not start accumulating until six months after you graduate. Stafford Loans are designed for students who cannot cover all of their expenses during college and will likely gain employment upon graduation.

The Perkins Loan is based entirely on financial need. The maximum amount a student can borrow is $4,000 per year for undergraduate and $6,000 per year for graduate school. These loans have low interest rates and do not require repayment until nine months after you graduate.

The PLUS Loan (Parent Loan for Undergraduate Students) is offered to parents of dependent students who require financial assistance. The interest rate is low and repayment begins 60 days after the final loan payment.

If you receive a loan, you must sign a promissory note. This document acknowledges your acceptance of the loan's terms and conditions. Typically, student loans are managed by banks and financial institutions, which handle payment options and determine how much interest you will pay. The bank will provide you with a payment schedule, as well as the approximate date that the loan will be paid in full.

For a new college graduate, the end of a loan payment can seem like a lifetime away. It can be shocking to open up that first student loan bill and not know how you'll pay it. If you don't find a job right after graduation, you may find yourself unable to repay the loans. If repayment is difficult or impossible, there are alternatives.

Forbearance allows you to take a 90-day break from the repayment period. However, be aware that a penalty is involved: You'll have even more interest to pay at the end of the period. Forbearance is a last resort if you're experiencing temporary financial difficulties. A consolidation loan is another alternative, should you have loans from multiple companies and find the various payments are too difficult to manage. Consolidation loans combine all student loans into one new loan with one single payment. The payments are often more affordable than paying multiple loans, but they also come with a price. A consolidation loan usually extends your repayment period by a number of years, thereby adding additional interest to the amount you owe. It is beneficial to make payments larger than the minimum payment whenever possible in order to reduce the amount of money you owe in the long run.

Remember, loans must be repaid within a specified period of time. The consequences of failing to repay can result in default, which can damage your credit rating and your chances of getting a car or a home in the future. If you decide to re-enter school for another degree, your student-loan payments can be delayed. Repayment will begin when you leave school again. By reviewing your financial situation now, you may be able to contribute more from your pocket, thereby saving on the amount that you must borrow. Examine all of your financial-aid options. Financial stability is one part of a successful future. By making intelligent financial decisions and managing your loans responsibly, you'll be able to avoid overwhelming debt and be able to start your adult life on the right foot.

Visit www.YouCanDealWithIt.com or www.MySmartBorrowing.org for more helpful information.

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