

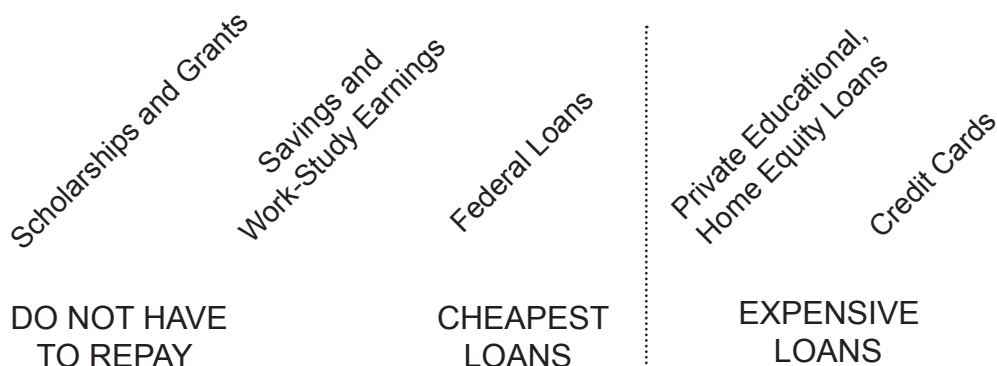


Low-Cost Ways to Fund Your College Education

5 Steps to Help You Graduate with Less Student Debt

- 1. Lowest Cost Source of Funds:** Maximize your use of scholarships, grants, savings, and work-study earnings. You do not have to repay this money. Fill out the Free Application for Federal Student Aid (FAFSA) to determine your ability for federal and state grants and work study. Starting in your senior year of high school and every year you are in college, complete the FAFSA soon after January 1st so that you get all of the aid for which you are eligible. The FAFSA is free online at <http://www.fafsa.ed.gov/>.
- 2. Determine How Much You Need to Borrow:** Your college is required to provide you with the direct costs (tuition, room and board, fees) and estimates of indirect costs (books, transportation, health insurance) to attend one year of school. You should consider how the indirect cost estimates match your expected personal spending and circumstances and adjust them as necessary. Based on these costs, determine how much you will need to borrow. Only borrow the amount you think you will need to meet these costs even if you are eligible for more. If you need additional money during the school year, you can obtain a loan at that time.
- 3. Federal Loans are the Best Loan Source:** Borrow federal loans AFTER you take every opportunity to use grants and scholarships. Federal student and parent loans have low FIXED interest rates and flexible repayment plans if you hit hard times. The most common federal loan has a fixed interest rate of 6.8%. All students are eligible for federal loans. You must fill out the FAFSA every year to be eligible. Go to <http://studentaid.ed.gov> to learn more about the three types of federal loans (Stafford, Perkins, and PLUS loans).
- 4. Don't Use Private Loans Unless Federal Loans Are Not Enough:** Private educational loans are offered by many of the same banks that lend federal loans. Private loans, however, cost more than federal loans and have variable interest rates with no cap on the upper limit. Make sure you know whether you are borrowing a federal or private loan. The cost of a private loan depends on your credit score, which you may not yet have as a student. So, find a cosigner, such as your parents or a relative, to get the best possible deal. Your parents may be able to use a home equity loan or other funds to help fund your education. Private loans vary considerably, so use the worksheet at <http://www.consumersunion.org> to compare loans.
- 5. Don't Use Your Credit Card to Finance Your Education:** Credit cards are the most expensive source of funds. Avoid using your credit card to finance your tuition, room and board, fees, books, transportation, and health insurance expenses.

Maximize the Sources on the Left Side of the Range



For more information about college funding, go to <http://www.finaid.org> or visit your local public library's college and career information center.