



PC PLANNING



A Study Guide For Student Loan Literacy

(NAPSA)—Parents and students looking for help answering the confusing questions surrounding student loan financing now have an easy-to-use resource center to turn to for step-by-step guidance. The Smart Borrowing campaign, launched by The First Marblehead Corporation, offers information about the lowest-cost ways to finance a college education.

The campaign begins with www.smartborrowing.com, a new Web site that serves as a “study guide” for anyone seeking to undertake a self-education in higher education financing. The site is divided into five sections that focus on smart financing moves:

Start Early: A recent survey by First Marblehead revealed that less than one in five families (18 percent) had saved more than \$25,000 in total for college by the time students had entered their freshman year. That statistic is startling when considering the average cost of tuition and fees at a private, four-year college is over \$22,000 per year, excluding room and board. Start family discussions about how to pay for college as soon as you begin to talk about academic and career goals.

Estimate Your Share: The survey found that more than one-quarter of students (26 percent) said they would be solely responsible for paying for college, while just over one in 10 parents (11 percent) said their children would be carrying the full load. To ensure that families are not borrowing too little or too much, it’s really important that students and parents talk about—and agree on—how much they’re going to need and who is going to be responsible for the financing. Remember that college costs



A new, easy-to-use Web site, www.smartborrowing.com, is a resource for finding the lowest-cost ways to finance a college education.

include educational expenses like books, lab fees, materials or a laptop. The time for families to think about these costs is well before applying for financing.

Federal Aid First: Students and parents both felt that scholarships (95 percent), grants (81 percent) and savings (47 percent) were the top three ideal sources of college financing. Yet in reality, scholarships (65 percent), savings (63 percent) and federal loans (58 percent) are the top sources. The gap indicates many may not be considering the full range of financial aid options available.

Loan applicants should avail themselves of free and low-cost aid sources first, using private loans to supplement when necessary, not supplant, federal loans to cover the full cost of education.

Filling the Gap: Although federal loans generally offer more favorable rates, private loans offer a possible solution to those needing to fill a gap between the amount of scholarships, grants and federal loans they receive and the ultimate cost of their education.

Also, many don’t fully understand that factors such as credit scores, co-signers and the loan amount can affect the amount they’ll pay. For example, asking a parent, other relative or trustworthy friend to co-sign a private student loan can help to secure the best possible terms.

Borrowing Smart: According to the survey, students and parents were not aware of many student loan benefits. Less than half were aware that loan payments can be made electronically (47 percent) and that payment can begin before graduation (47 percent). When you do take out a loan:

- Make sure your lender provides you with loan documents written in clear, simple language.
- Know that interest rates can and do change over time. Make sure you can afford monthly payments should your rate go up.
- Make sure you are not penalized if you pay off your loan early.
- Know that if you make a loan payment electronically, you may be entitled to an interest rate reduction.
- You may be able to defer payments until you graduate.

“More Americans than ever before are going to college and studies show the earning potential of a college graduate is about double that of someone with just a high school education,” said Jack Kopnisky, Chief Executive Officer and President of The First Marblehead Corporation. “At the same time, costs are rising and the gap between what people have and what they need is growing. Through our Smart Borrowing campaign, we want to help educate students and parents on how best to fill that gap and, ultimately, achieve their dreams.”