

CollegeReady

parent survival guide



Set up a plan to pay for college,
and send your student on to future success

Dollars, cents and dates

A financial aid calendar for parents

Before your student's senior year in high school

Make college visits. Research scholarships. Gather information about tuition, fees and financial aid at schools of interest.

September of senior year in high school

Collect financial aid information and applications for each of the universities to which your child will apply. Remember that financial aid deadlines are nonnegotiable so keep track of critical dates.

January of senior year

Complete your family income tax returns, or at least drafts, so you have estimates to use to fill out the Free Application for Federal Student Aid (FAFSA).

Next, fill out the FAFSA and include in it a list of the schools to which your student is applying for admission.

Important: FAFSA forms are available at the beginning of the year. You should fill yours out as soon as possible after January 1. For the fastest submission and response, complete it online at fafsa.ed.gov.

The filing deadline is generally the end of June or the very beginning of July following the school year in

question. State and school financial aid application deadlines differ—and they are often earlier.

Early applicants have a greater chance of getting the aid they qualify for, so it's best to apply to all sources as quickly as possible. Need help filling out the FAFSA? Visit the Federal Student Aid Information Center (FSAIC) online at studentaid.ed.gov or call 800-4-FED-AID (800-433-3243)-

February and March of senior year

Several weeks after filing your FAFSA, a Student Aid Report (SAR) will arrive in the mail, which includes details of your Expected Family Contribution (EFC). You can also view your child's SAR electronically. An email will be sent to the student that allows access to the information. Review it closely for errors.

Contact the Federal Student Aid Information Center at 800-4-FED-AID (800-433-3243) if you have not gotten confirmation that your FAFSA was received.

April of senior year

College acceptances and financial aid packages arrive. Once a student decides on a school, a nonrefundable deposit is required. At this point, you can begin applying for Federal Stafford Loans, Federal PLUS Loans, and private student loans.

Private loans and your role as a parent

Cosigning private loans for your child may offer benefits



Once your child has taken full advantage of all federal aid options, he or she might consider a private student loan to cover any remaining expenses.

Unlike fixed-rate federal student loans, private student loans come with variable interest rates that are determined in large part by the quality of the applicants' credit history.

In order to qualify for a private student loan, most students need to apply with a creditworthy cosigner. Although students often choose a parent to be a cosigner, the cosigner can be anyone the student wants—as long as the cosigner meets the lender's credit criteria and agrees to the loan terms.

By applying with a qualified cosigner, students can often receive more attractive loan terms and a lower variable interest rate which can add up to big savings over time.

When a student applies with a cosigner, the student borrower has responsibility for the loan and will be responsible for paying the loan in full. The cosigner will be obligated to repay the loan if the student fails to do so. Keep in mind that if a late payment is reported to the national credit reporting agencies, it is reported in both the student borrower's and cosigner's names.

When is a cosigner required?

Normally, students must apply with a cosigner if they have limited credit history, limited income and/or cannot meet a lender's citizenship or age requirements.

However, even if a student can qualify on his or her own, adding a cosigner may help the student to receive more attractive loan terms than if he or she applied alone.

Are there other advantages to cosigning a loan?

Cosigning often allows students to qualify for a loan that they would not be eligible to receive on their own. And because the student has the responsibility for repaying the loan, cosigning helps students to establish the credit history they will need to meet future financial needs, such as taking out a car loan or home mortgage.

If your child chooses you as a cosigner, it allows you to act as an equal partner in the student loan process. This allows you as a parent the opportunity to stay involved and informed about the student loan choices your child is making.

The bottom line is that when it comes to private student loans, your child can benefit greatly from your guidance and support and make important financial decisions together.

The language of education finance

A primer for demystifying the fine print

Capitalization: The process by which unpaid interest is added to the loan principal.

Cosigner: Person who assumes equal responsibility, along with the borrower, for a private student loan. The cosigner is responsible for making payments should the borrower fail to repay as required.

Cost of attendance: The total estimated cost for a student to attend a particular school. This includes the cost of tuition, fees, books, supplies and living expenses.

Deferment and forbearance: Time periods in which a borrower is allowed to postpone repayment of a student loan. Deferment may be granted while a student is working toward a degree, is in financial hardship or is participating in a national service program. If a borrower has subsidized Federal Stafford Loans, the federal government pays the interest during a deferment. For all other loan types, the interest continues to accrue during a deferment and is capitalized (added to the principal balance) when the deferment ends. Forbearance may be granted for financial hardship if the student isn't eligible for a deferment. Interest accrues during a forbearance and is capitalized when the forbearance ends.

Federal Student loans: Federal Stafford Loans, which can be subsidized (need-based loans in which the federal government pays the interest that accrues prior to repayment or during approved deferments), or unsubsidized (non-need-based loans in which the borrower must pay the interest that

accrues from the time the loan is made until it is paid in full). Federal PLUS Loans (for parents of undergraduate students or for graduate and professional students) can cover 100 percent of a student's remaining costs after all other kinds of aid are applied. And Federal Perkins Loans are awarded by schools to students with exceptional financial need.

Free Application for Federal Student Aid

(FAFSA): The application for federal student financial aid. Most schools also use the FAFSA results for state aid.

Grace period: The period between when borrowers graduate, withdraw or drop below half-time enrollment status and when they must begin repayment of principal and interest on their loan.

Grants: Federal Pell grants and SEOG go to students with financial need. SEOG stands for "Supplemental Educational Opportunity Grants." Grants do not need to be repaid.

Private student loans: Student loans offered by private lenders to supplement federal education loans. Students should make full use of grants, scholarships and federal loan options before accepting a private loan.

Work Study: A federal jobs program for students with financial need. Government funds subsidize students' wages at specific positions on and off campus. Earnings can be used to pay costs ranging from tuition to living expenses.

Bridging the Savings Gap

Even when parents have been saving for their child's college education, they often find that they still need additional funds to cover the cost of college. There are a variety of resources parents may wish to consider. The best option will depend on a family's individual circumstances. Consult your financial advisor to help you make your choice.

	Pros	Cons
Federal PLUS Loan for parents	<ul style="list-style-type: none"> • The loan covers 100 percent of a student's financial need, minus other aid. • The loan has a fixed interest rate. • Borrowers qualify simply by having no negative credit history. • No collateral is required or put at risk. • No income restrictions apply. • Repayment can be deferred while the student is enrolled at least half time. • The interest paid may be tax deductible. 	<ul style="list-style-type: none"> • Loans accrue interest and must be repaid.
Cosigning a private student loan	<ul style="list-style-type: none"> • Private loans help cover college expenses after lower-cost options have been exhausted • Payments can be deferred while the student is in school. • The student is the primary borrower. • Timely loan repayment can help the student create a good credit history. • Your good credit history often helps ensure a lower interest rate for the student. • The interest paid may be tax deductible. 	<ul style="list-style-type: none"> • Loans accrue interest and must be repaid. • The loan is in the student's name, and some parents don't want their students to accrue debt. • The interest rate on these loans is variable and typically higher than the fixed rates of federal loans. • Late payments may affect the cosigner's credit report, even if the cosigner isn't the one making the payments.
Early funds withdrawal from retirement accounts	<ul style="list-style-type: none"> • There are few advantages. You may not want to take on debt, but it is recommended that you never tap into retirement savings to pay education costs. Remember here is no such thing as a "retirement loan." 	<ul style="list-style-type: none"> • You may have to pay taxes and/or tax penalties for account withdrawals. • Using these funds may delay or alter your retirement plans.
Home equity loans	<ul style="list-style-type: none"> • With excellent credit, your rate may be lower than other borrowing options. • The interest paid may be tax deductible. 	<ul style="list-style-type: none"> • There is a risk that a decline in the housing market during the term of the loan might cause you to owe more on the loan than your home is worth. Be sure you are willing to assume this risk