

Smart Money—the Dollars for Scholars Financial Aid Tip of the Month

brought to you by New England Dollars for Scholars and Nellie Mae

So you got into college—how will you pay for it?

It seems like all anyone can talk about these days is where you're going to college. While it's exhilarating to find out you've been accepted, it can be discouraging to learn what you are expected to contribute toward tuition—especially if there is a significant gap between your “official” financial need and what you know your family can afford. That's where student loans come in.

Unsubsidized Federal Stafford Loans

Federal Stafford Loans are low-interest loans for students. Unlike the subsidized kind, unsubsidized Stafford Loans are not need-based. You are responsible for paying interest on the loan, and if you postpone interest payments while in school, the interest will be capitalized (added to the principal amount) at repayment, which is usually six months after you graduate. Stafford Loans feature terrific terms and should be the first loans you request.

Federal PLUS Loans for parents

Federal PLUS Loans are for parents of dependent undergraduate students. There is no income requirement to qualify, but the borrower must have good credit. Parents may borrow up to the cost of attendance (minus other financial aid) at a low interest rate. Borrowing a PLUS Loan is an affordable way for parents to finance a child's education.

Private education loans

Also known as alternative loans, private student loans are not need-based. For example, Nellie Mae, headquartered in Braintree, Massachusetts, provides low-cost private education loans for students and their families. Nellie Mae's knowledgeable loan counselors help borrowers understand their rights, responsibilities, and financing options throughout the financial aid process.

Nellie Mae EXCEL Loans are for parents or other creditworthy sponsors who borrow on behalf of an undergraduate student. Annual loan limits are from \$500 up to the cost of education (less other financial aid) and borrowers choose the repayment schedule that suits their budget.

Student EXCEL Loans allow students with good credit to borrow on their own (freshmen and those without good credit may apply with a co-borrower). No-fee terms are available, and no payments are required while you're in school at least half time.

Tax benefits

A college education provides many long-term benefits, but you may see some benefits every tax-filing day, too. In 2005, the Internal Revenue Service allowed eligible taxpayers to deduct up to \$2,500 from their taxable income for student loan interest. Check with a tax professional for details.

Students should always seek grants and scholarships from public and private foundations (your guidance office and free search services like www.collegeanswer.com are the best resources), but the rising costs of college seem to outpace the availability of sufficient gift aid. Fortunately, low-cost loan programs exist that can help students achieve a higher education while making economic sense. To learn more about Nellie Mae's federal and private loan programs, visit www.nelliemae.com/loancenter.