

Smart School Loan Shopping Tips

Get all the free money you can before you borrow.

Scholarships and grants are free money. Loans cost you interest and must be repaid.

Think about how much you're borrowing.

Loans can quickly add up. You don't have to borrow as much as you are allowed. Borrow only what you really need to pay for school. If you don't repay the loans, you could go into default, which has serious consequences and will affect your credit rating. Also, bankruptcy does not wipe out education loans.

Get full information about the loan.

You should receive entrance counseling that provides the following information about any education loan:

- Full amount of the loan and the interest rate
- The date you must start repayment
- List of any charges (fees) you must pay and how they are collected
- Information about the yearly and total amounts you can borrow
- Information about the maximum repayment periods and the minimum payment amount
- Explanation of the consequences of not repaying the loan
- Explanation of ways to consolidate your loans and that you can prepay your loans without penalty

Make sure you clearly understand any fees, grace periods, and whether interest is added to your loan balance while in school. When you leave school, you will receive exit counseling.

Give preference to Perkins loans and then to Stafford loans with subsidized interest.

Perkins loans have lower interest rates than Stafford loans and a longer grace period before repayment must begin. Subsidized Stafford loans cost less interest than unsubsidized Stafford loans, so max out on the subsidized loans before tapping unsubsidized loan funds if you can.

If you need more funds than available through federal sources of loans, check with private lenders.

Payments on private loans can often be deferred until after graduation. Your credit union is likely to be a good source for attractive education loans.

Check that the lender offers flexible repayment plans and borrower benefit programs.

You want a variety of options when you start repaying the loans. You can save money if your lender rewards a short history of on-time payments by lowering the interest rate. Ask your loan provider how you can save money by consolidating multiple loans.

Avoid dropping below half-time enrollment while in school.

Some loans could require that repayment begin if you drop below half-time enrollment.