



What Parents Need to Know About Student Loans

Nonprofit Credit, Student Loan Counseling Agency Take Charge America Shares Top Considerations for Parents

PHOENIX – (Jan. 15, 2019) – Many parents dream of sending their children off to college – to earn a degree, launch a successful career, and make a healthy, happy life for themselves. For many families, this means taking out loans to cover the cost of tuition and expenses.

“It’s important for parents to understand the ins and outs of student loans,” said Jeremy Wine, student loan supervisor for Take Charge America, a [national nonprofit credit counseling and student loan counseling agency](#). “As long as parents are clear on the terms, they can help their college-bound children begin adulthood on the right foot without risking their own financial well-being.”

Wine shares five things parents need to know about student loans:

1. **FAFSA:** First things first, students should complete the Free Application for Federal Student Aid to determine their eligibility for federal loans and grants. Students from low-income families, for example, may qualify for a Federal Pell Grant worth up to \$6,095 annually.
2. **Federal vs. Private:** One question students and their parents should consider is whether they should take out federal or private student loans. Compared to private loans, federal loans typically offer lower interest rates along with better repayment options, like income-driven repayment and postponement of payments.

Additionally, private lenders usually require a co-signer – typically a parent – meaning parents are on the hook for any late or missed payments. It’s risky business, as any issues with a student’s repayment will damage parents’ credit scores and may prevent them from taking out other loans in the future.

3. **Parent PLUS Loan:** Parents who want to help pay for college but don’t have the money saved can also apply for a [Parent PLUS Loan](#). Among the benefits, this loan offers a fixed interest rate, flexible repayment terms, and a tax deduction on interest up to \$2,500. Unlike other federal student loans, the PLUS loan requires a credit check.
4. **Repayment Calculator:** How long will it take to repay a student loan? Too few people consider this question before borrowing money for college. Using a [student loan payoff calculator](#) can give parents and their children a sense of future monthly payments, and will also encourage students to think carefully about their career path and earning potential.
5. **College vs. Retirement:** Paying a child’s college expenses is a very generous – and very pricey – endeavor. It’s important for parents to take a pragmatic approach – helping their children choose an appropriate school at an affordable cost – rather than setting their hearts on a “perfect,” and unjustifiably expensive, college. Moreover, they’re wise to consider their own

finances before taking out a loan for their child's education. This is especially true for people who already have debt or whose retirement accounts are too small. In such cases, parents should put their own financial needs first.

For information about student loans and repayment options, visit Take Charge America at studentloans.takechargeamerica.org or call (877) 784-2008.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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