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What Students and Parents MUST Know about Student Loans

By John Williams

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A student loan helps you get through college. Then you come out into a high-paying career. It's a great investment in your (or your sons/daughters) future.

Student loans generally give you a good deal. You get below-market interest rates, and you get a \$2500 federal tax credit on interest paid over any period of time (previously first 60 months only)

It doesn't matter if the student, or parent takes out the loan; tax deduction remains the same.

* Did you know the federal government has a \$50 billion student loan program ?

Not surprisingly, the federal government provides the largest percentage of student loans. Other student loans may come direct from colleges, private lenders or state governments.

One of the key advantages to a federal guaranteed loan is exactly that – it's guaranteed. That means you don't need collateral. It also means the terms are kinder than a typical lender might offer. Of course, your educational program has to be approved by the government.

Types of student loans

* Federal Stafford Loan – for undergraduate or graduate students

A popular and cost-effective source of a student loan. Stafford loans provide low-interest, government guaranteed funds.

Stafford Loans come in two types, subsidized or unsubsidized. Whether or not you're eligible for subsidized depends on household income. The school ought to advise on this.

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For subsidized, the government covers the interest right up to start of repayment i.e. they pay interest incurred during the course, in deferment and during the grace period before repayment begins. If you qualify for subsidized, it's a great deal

For unsubsidized, the student must pay all interest incurred at all times, though they don't start repaying until after grace period.

* Federal PLUS Loan – for parents of undergraduates

Parent Loan for Undergraduate Students (PLUS) allows parents to take a loan on their Child's behalf. They can contribute to their Child's future, and get a great low-interest loan with continuing future tax relief.

PLUS actually allows parents to borrow the total cost of their child's education, minus any grants or

other financial aid awarded. All tuition fees, meals, books, transport etc. can be included in the loan.

This really is a great deal, and has no income or asset requirements. Even poor credit history may be overcome. Repayment is flexible, and can include zero payments for up to 4 years.

Only one drawback to the Federal Stafford and Federal Plus loan – your school must be approved to participate in these programs. If your school isn't approved, then you've got some other options...

* Banks

Many banks offer unsubsidized Stafford loans. You still get the money, which you must have to attend college, but repayment options are more limited. Some deals offer you an interest rate reduction if you make payments on time.

* State Loans

Most states offer guaranteed student loans. Apply direct to Banks, who'll administer the State program. It's usually a more expensive way to borrow than Stafford.

* College Board Extra Credit Loan

Administered by your college. Can be expensive, and best used only in an emergency e.g. your aid is withdrawn.

* Other Loan Sources

A number of other sources may be worth trying if you get a problem with your first choice lenders. Academic Management Services affiliates with approx. 2000 schools. AMS pay your tuition fees if you repay them in less than a year. College Resource Center also has loans available.

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If your parent served in the military, then a military loan should be investigated.

College can be the experience of a lifetime. A child starts college as a high school kid, and emerges a full grown adult with high-earning potential...

But he or she needs money to survive and thrive in college. This article looked at the main sources of student loan funding, and those sources should be ideal for most students and their parents.

John Williams

The right Student Loan makes all the difference to a successful college career. Discover important information on choosing the right student loan, and guaranteeing your future success. Click ==>

Parent Loans or Student Loans - what is going to be best for my child?

By Vanessa McHooley

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At least 20% of college students need some type of loan to help pay for their college education. Such a statistic can lead to students graduating with an unmanageable debt load. An alternative is for parents to help out by taking out loans themselves. But which is the better option - student loans or parent loans? Each has distinct advantages and uses.

Federal student loans

Federal student loans have the lowest interest rates and best repayment options. If you need to take out loans and you qualify for federal loans, this is your best choice. Just be sure to accept only the funds you need, even if you are offered much more. Parents can always help their children pay off these loans once repayment begins after graduation.

Federal parent loans

PLUS Loans (Parent Loan for Undergraduate Students) are another loan option that comes with low interest rates. If you are a parent with dependent students attending college at least part-time and you have a good credit history, you are eligible to receive a PLUS Loan. These loans are not needs-based. You can borrow up to the total cost of undergraduate education expenses, minus other financial aid already received. Unlike federal student loans, payment is not deferred until after graduation; instead, your first loan payment will be due about 60 days after the loan is disbursed. Also unlike federal student loans, PLUS Loans require an application fee.

Private loans

Both students and parents can take out private loans to cover funding gaps. Terms are basically the same for these loans, although students may be able to have their repayment deferred until after graduation. Another consideration is that students may wish to take out small loans to begin to establish a credit history. You may need to cosign for private student loans.

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Other options

Parents do have some additional options for college funding, such as home equity loans. These often have rates as good as private loans.

So which type of loan should I get?

This really comes down to a personal decision. Ask yourself these questions as you are trying to decide:

- What level of debt do you feel is manageable for your child to graduate with?
- How important is it to you that your child takes responsibility for paying student loans?
- Will you and your child work out a repayment plan to repay PLUS Loans and other parent loans?

This article is distributed by NextStudent. At NextStudent, we believe that getting an education is the

best investment you can make, and we're dedicated to helping you pursue your education dreams by making college funding as easy as possible. We invite you to learn more about Parent Loans or Student Loans at <http://www.NextStudent.com> .

My goal is to help every student succeed – education is one of the most important things a person can have, so I have made it my personal mission to help every student pay for their education. Aside from that, I am just a pretty average girl from SD.

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