

Save a tree! This worksheet is interactive—you can work online and save it for your reference or email it to your parents.

‘Five Rs’ for Smart Borrowing:

Everyone remembers the “3 Rs” from grade school. SmartBorrowing.org has updated the concept for anyone working on college financing. These simple worksheets can help you avoid some of the most common mistakes people make, and get you started off on the right foot.

1) Right Start

Are you a student, or the parent of a student, who is considering attending college?

Yes_____ No_____

If yes, have you begun discussing or researching how your family is going to pay for college?

Yes_____ No_____

How many years do you have before you intend to begin college?

5+_____ 4_____ 3_____ 2_____ 1_____

Less than 1_____

Start family discussions about how to pay for college as soon as you begin to talk about your academics and career goals. Before you start high school is a good time.

According to a 2007 survey by Cognition Financial, less than one in five families (18 percent) had saved more than \$25,000 in total for college by the time students entered their freshman year of college, even though the average cost of tuition and fees at a private, four-year college is over \$25,000* – before room and board.

*The College Board Trends in College Pricing 2008

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Enter total cost of college (including expenses) \$ _____

Enter amount saved for college by parents - \$ _____

= \$ _____

Enter amount saved for college by student - \$ _____

= \$ _____

Enter amount covered through Federal aid - \$ _____

= \$ _____

Enter amount covered through grants and scholarships - \$ _____

Calculate gap = \$ _____

The gap is the amount left over that you may wind up having to borrow.

Borrowing too much or too little can both have negative consequences, so it's important that students and parents talk about—and agree upon—how much they're going to need, and who is going to be responsible for the financing. The time for families to think about these costs is well before the student enters high school.

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3) Right Source

True or False:

1. I am sure that I have applied for all the grants, scholarships and aid for which I am eligible before I tap my savings.
2. I am sure that I have saved all I can before I consider taking out a loan.
3. I am sure that I have maximized my Federal loans before I consider taking out private loans.

If you answered “false” to any of the questions above, consider rethinking your financing strategy.

The survey showed a significant gap between what people thought were the best ways to pay for college, and how they were actually paying. Make sure you’ve exhausted all of the free or lower-cost options—grants, aid, scholarships and Federal loans—first.

4) Right Information

Have you checked your credit report before considering a loan? (Tip: Visit the Federal Trade Commission Web site for information on credit reports.)

Yes_____ No_____

Is there a parent or other adult with good credit who is willing to cosign a loan?

Yes_____ No_____

Many borrowers don’t fully understand that there are factors—credit scores, cosigners, the amount of the loan—to evaluate in considering their specific needs and that will ultimately impact the total amount they’ll pay back. Visit consumer resource centers, talk to potential lenders or consult a financial advisor to see what steps you might be able to take to ensure you’re getting the most favorable terms.

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5) Right Benefits

Has your lender provided you with loan documents written in clear, simple language?

Yes_____ No_____

Does your lender offer a better rate if you make your loan payments electronically?

Yes_____ No_____

Will paying off your loan early result in a penalty?

Yes_____ No_____

Do you know if you are able to defer payments until you graduate, and what the cost of doing so will be in the long term?

Yes_____ No_____

Different lenders offer different benefits, and benefits can change over time. If you decide a private loan is the right choice for your financing, it's important to shop around and find the one that best meets your needs.