



Studying for College Prep Exams and Finals?

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### How to be a smart student loan borrower in college

Student loans are a necessary way for many people to pay for college—just make sure you're borrowing correctly by following these tips

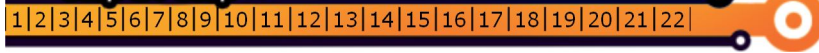
By Veena Gomes-Patwardhan

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Borrowing for school is a pretty common way to pay for college. But doing your homework before borrowing? Not so common.

"Most students don't do their homework; they don't understand that a loan is money that needs to be repaid," says Arnold Woods, Jr., director of student financial aid at Grinnell College ([grinnell.edu](http://grinnell.edu)) in Grinnell, Iowa.

Why bother?

"The decisions you make regarding student loans when you are 18 years old will have a very direct and real impact on decisions you'll make years after college," says Eric Addington, associate director of financial aid at Augsburg College ([augsburg.edu](http://augsburg.edu)) in Minneapolis. "They will determine what kind of job you have, what kind of housing you have, what kind of car you drive, etc."

Follow these tips to be a successful student borrower.

#### Do the research

Start by checking out the state of your family's finances. Know how much financial aid you will need from outside sources.

Unfortunately, scholarships and grants form the smaller chunk of most financial aid pies.

Most financial aid is offered in the form of loans, which is money you need to repay with interest.

#### Don't be afraid to call a college

"High school seniors should be in contact with the admission and financial aid offices at the colleges they are interested in," says Vincent C. Amoroso, director of student financial services at Johns Hopkins University ([jhu.edu](http://jhu.edu)) in Baltimore.

#### Do the math

When you start comparing the different award letters from the colleges you applied to, figure out what your loan amount will mean after graduation.

Your future earning potential should be one of the key factors in deciding the size of your loan. Experts recommend keeping your monthly payments to less than 10 percent of your monthly income.

A good rule of thumb is to limit the total you borrow to a maximum of how much you expect to earn in your first

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year after graduation



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"Budgeting will also lead to more successful personal finance after college," Addington says. "A little personal savings and budgeting will go a long way in your personal investment in your education."

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### Be an early bird

To make sure you catch the juiciest financial aid offers, start the search for scholarships and grants at least a year in advance.



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