Starting college marks an exciting season of life, but paying for college education has become more difficult than before. The rising prices of tuition, board, and other expenses along with stagnant or declining household incomes have resulted in increased student loan borrowing. The role of grants has decreased as the current financial aid system relies on loans as a socially acceptable way to finance college.

Whereas 20% of all undergraduate students took out a loan in the 1992-1993 school-year, by 2011 60% of college graduates reported having borrowed to fund their education, with an average of $26,600 in student loan debt. The cost of public college education increased by 42% while average borrowing by full-time students increased by 49% in the past decade after being adjusted for inflation. In 2011, total student loan debt reached $1 trillion dollars. One piece of good news for borrowers came in August 2013, when Congress agreed to lower interest rates on certain subsidized federal loans from 6.8% to 3.86%. However, burdens of student loans are expected to grow in the future.

The Consumer Financial Protection Bureau, a federal agency whose mission is to make consumer financial products and services work for Americans, provides an interactive web tool to help student loan borrowers compare options and make smart choices to pay for college (http://www.consumerfinance.gov/paying-for-college/). The page recommends the following six steps for students and their parents:

(1) Research schools and apply for college (http://nces.ed.gov/collegenavigator/).

(2) Filling out a FAFSA (http://www.fafsa.ed.gov/) is next step if you want to apply for federal and state financial aid. Many colleges and universities require the FAFSA. If you do not submit the FAFSA form, you may miss out on free money and reduced-rate loans for school. You want to do it even if you think you do not need it. Check the deadline and submit it early every year.

(3) The next step is choosing a student loan (http://www.consumerfinance.gov/paying-for-college/choose-a-student-loan/#01). Two-thirds of college graduates borrowed to fund their college education. Student loans can help you afford a college education and related expenses but these loans are expected to be repaid with interest. Search for grants and scholarships. When you exhaust these options as well as personal income/savings, family contributions, and other means of cutting expenses, you may need to obtain student loans. Federal loans are almost always less expensive than private loans, so take advantage of federal options first. Often grants and federal loans are not enough to cover the costs. However, private loans are expensive and offer less protection for consumers. Unlike other debts, student loans are very difficult to discharge if you get into financial trouble and seek bankruptcy. Talk to your financial aid office first. Private student loans are just like any other loans. Shop around for the best options and consider interest rates, flexibility, and other factors.

(4) The fourth step is to compare each school’s financial aid offers and costs. The Financial Aid Shopping Guide (http://collegecost.ed.gov/shopping_sheet.pdf) is one tool to help students and their parents understand risks, compare financial aid offers from schools based on their financial
situations, and make wise choices. Financial aid offers generally include federal and non-federal options. Also find out how long it would take to pay off the debt.

(5) When you attend college, manage your money carefully. Be cautious about taking out additional loans.

(6) Repaying student debt is something you need to think about before you graduate from college. Know your repayment options. Failing to pay your student loan on time will cost you a lot of money and damage your credit.

College education is a valuable investment that provides economic and other important life-long benefits. Planning and paying for college wisely is critical to the successful launch of adulthood.