Financial Aid Wisdom – Practical Tips about Paying for College

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A Compilation of Financial Aid Wisdom, Advice and Insights

This quick reference guide presents a compilation of short rules of thumb about paying for college. These tips were developed by FinAid and Fastweb over the last two decades. Many of these rules of thumb are now in common use, a sign that the rules of thumb are effective.

We devote a considerable amount of effort to designing and writing rules of thumb that are memorable, immediate and effective. A good rule of thumb does not require any computation, but may involve simple comparisons. Good rules of thumb can be personalized. They are tangible and specific. They express a crisp thought in just one or two sentences.

For example, guidance concerning excessive debt has historically involved debt-service-to-income ratios, which argue that monthly student loan payments should represent no more than 10% to 15% of gross monthly income. But calculating monthly loan payments requires solving a set of simultaneous equations, too complicated for most people. Translating this advice into a comparison of total student loan debt with annual income, on the other hand, yields a much simpler tip: If total student loan debt at graduation is less than the annual starting salary, the borrower will be able to repay the student loans in about 10 years. By linking debt with income, this rule of thumb elegantly demonstrates the limits to thinking about education debt as an investment.

Tips about Saving for College

College costs double every decade and triple in the 17 years from birth to college enrollment.

It is cheaper to save than to borrow. If you save $200 a month for 10 years at 6.8% interest, you will accumulate $34,433. If instead of saving, you borrow $34,433 at 6.8% interest with a 10-year repayment term, you will pay $396 a month, almost twice as much.

Time is your greatest asset. Start saving for college as soon as possible. If you start saving at birth, about a third of the college savings goal will come from interest on the contributions. If you wait until your child enters high school, less than 10% will come from interest.

It is never too late to start saving. Every dollar you save is about a dollar less you will have to borrow. Every dollar you borrow will cost you about two dollars by the time you repay the debt.

The one-third rule: Plan on saving a third of projected college costs or the full 4-year costs the year the baby was born. Like most life-cycle expenses, college costs will be spread out over time, with about one third coming from past income (savings), about one third from current income and financial aid, and about one third from future income (loans). Since college costs increase by about a factor of three over any 17-year period and 3 x 1/3 = 1, that suggests that your college savings goal should be the full 4-year cost of college the year the baby was born. You might not be able to predict which college your child will attend, but you probably can predict the type of college, such as an in-state public 4-year college, out-of-state public 4-year college or a non-profit 4-year college. For a baby born in 2012, this means saving $250/month, $400/month and $500/month, respectively, from birth to college enrollment.

Save in the parent's name, not the student's, as this will reduce the impact on eligibility for need-based financial aid. A dependent student's 529 college savings plan is treated as though it were a parent asset.

College savings may count against you in the need analysis formulas, but the penalty for saving is minimal. Less than 4% of dependent students have any contribution from parent assets in the calculation of the expected family contribution. The need analysis formula shelters many parent assets, including retirement plans, the net worth of the principal place of residence and small businesses owned and controlled by the family. There is also an asset protection allowance based on the age of the older parent that typically shelters about $50,000 in parent assets. The remaining assets are assessed on a bracketed scale, with a top bracket of 5.64%. So every $10,000 saved in a 529 college savings plan will reduce need-based aid by at most $564. That leaves the family with $9,436 to pay for college costs. Families who save for college have more options than families who don't save.

When choosing a 529 college savings plan, choose the plan with the lowest fees. This will maximize your savings. You can invest in any state's plan. Likewise, choose the direct-sold version instead of the advisor-sold version, since the fees are lower. If the fees are similar, choose your own state's plan if it offers a state income tax deduction on contributions to the state's plan.

Pay yourself first. Before spending your paycheck, set aside some money for your children's college savings. The best way to do this is by making saving automatic, so you don't have to take any extra steps each month to save. Set up an automatic monthly transfer from your checking account or paycheck to the college savings plan. You will quickly get used to having a less money to spend. Start saving what you can, and gradually increase it, especially when a regular expense like diapers or day care ends. Redirect at least half of windfalls, like income tax refunds and inheritances, to college savings.

Distributions from non-reportable assets, such as a grandparent-owned 529 college savings plan or a tax-free return of contributions from Roth IRA, count as income to the beneficiary. This can have a severe impact on financial aid eligibility. Rather than take a return of contributions from a Roth IRA when it can hurt eligibility for need-based financial aid, wait until after the financial aid applications are filed for the senior year to take the return of capital to pay down debt.

Tips about Scholarships

Search for scholarships at free sites like www.Fastweb.com. (Other free scholarship matching services are listed at www.finaid.org/scholarships.) Every dollar you win is about a dollar less you'll have to borrow.

Start searching for scholarships as soon as possible. There are scholarships with deadlines throughout the year, so the sooner you start searching, the more scholarships you will find. If you wait until the spring of the senior year in high school, you will miss the deadlines for about half of the scholarships available to high school seniors. But students in younger grades can also win scholarships. There are also many scholarships that are available only after you have enrolled in college. The sooner you start searching for scholarships, the more you will find.

Ask your employer and/or your parent's employer about employer tuition assistance programs. Some employers provide tuition assistance for employees, their dependents and sometimes even grandchildren.

In any targeted scholarship matching service, answer the optional questions in addition to the required questions. Students who answer the optional questions match about twice as many scholarships, on average, as students who answer just the required questions. The optional questions are there to trigger the inclusion of specific awards.

To win more scholarships, apply to every scholarship for which you are eligible. It's a numbers game. Even among talented students, winning involves a bit of luck, not just skill. Pursue less competitive scholarships, such as small awards and essay contests. They are easier to win and help you win bigger scholarships. You can't win if you don't apply. It gets easier after your first half dozen applications. Essays can be reused and tailored to each new application.

If you have difficulty writing essays, record yourself as you answer the question out loud and transcribe the recording. Most people think and speak faster than they can write or type. Write an outline afterward to organize your thoughts.

Google your name to ensure that you have a professional online presence. Use a professional email address, such as first.last@gmail.com. Review your Facebook account, removing inappropriate, immature and potentially embarrassing material.

Beware of Scholarship Scams: If you have to pay money to get money, it is probably a scam. Never invest more than a postage stamp to get information about scholarships or to apply for scholarships. Legitimate scholarship programs do not charge application fees. If it sounds too good to be true, it probably is. Nobody can guarantee that you will win a scholarship. Do not give out bank account, credit card, Social Security numbers or other personal information.

Beware of the unclaimed aid myth. The only money that goes unclaimed is money that can't be claimed

The Free Application for Federal Student Aid (FAFSA)

File the Free Application for Federal Student Aid (FAFSA). The FAFSA is the gateway to financial aid from the federal and state governments and most colleges and universities. You can file the FAFSA online at www.fafsa.ed.gov.

File the FAFSA as soon as possible after January 1 of your senior year in high school and each subsequent year. Do not wait until you have been admitted or you file you federal income tax returns. Some states have very early deadlines for state grants, as early as February 1, and other states give out money on a first-come first-served basis until the money is gone.

Use the IRS Data Retrieval Tool, if possible, to prefill some of the answers on your FAFSA. This will reduce the chances your FAFSA will be selected for verification. If you can't use it to file the initial FAFSA due to timing considerations, use it to update the FAFSA after you've filed your federal income tax returns.

Apply for financial aid every year even if you think you won't qualify or even if you didn't qualify last year. The need analysis formulas are complicated enough that it is difficult to predict whether you will qualify without applying. Changes in the number of children in college at same time can have a big impact on aid eligibility, as can changes in income and the amount of assets. Families often overestimate their eligibility for merit-based aid and underestimate their eligibility for need-based aid. Remember: You can't get aid if you don't apply.

Tips about Negotiation and Professional Judgment

There's a common myth that families can bargain with the college to get a better deal. Colleges are not car dealerships, where bluff and bluster can get you a better deal. Colleges do not engage in bidding wars for top students. Most colleges do not negotiate. Even among the colleges that negotiate, the process is rigidly formulaic.

Most such negotiation is really "professional judgment". The professional judgment process is sometimes called a special circumstances review or financial aid appeal.

Professional judgment refers to the authority of a college financial aid administrator to make adjustments to the data elements on the FAFSA when there are unusual circumstances, especially when the circumstances were beyond the family's control. Unusual financial circumstances may include anything that has changed from last year to this year or anything that differentiates the family from the typical family. Examples include job loss, salary reductions, death of a wage-earner, high dependent care expenses for a special needs child or elderly parent, public K-12 tuition for siblings, and unusually high unreimbursed medical or dental expenses.

Other examples of unusual circumstances include one-time events that are not reflective of the family's ability to pay during the award year. For example, the family's income might have been artificially increased by a one-time bonus, Roth IRA conversion or unusual windfall. Or the family may have suffered from a job loss or natural disaster.

The professional judgment process is driven by documentation, so it is best to provide the college's financial aid administrator with a photocopy of documentation of the unusual circumstances and the financial impact on the family's ability to pay for college. The best type of documentation is verifiable and from a neutral third party.

College financial aid administrators are more likely to make an adjustment in response to an appeal when the unusual circumstances were due to factors beyond the family's control.

If the college financial aid administrator decides to make an adjustment, the amount of the adjustment will be based on the financial impact of the unusual circumstances. For example, if a parent has lost his or her job, the financial aid administrator may adjust the income reported on the FAFSA to compensate for the lost income. However, the adjustment will also consider the amount of any severance pay and unemployment benefits. The amount of taxes paid may also be reduced to reflect the lower income.

Tips about Comparing Financial Aid Award Letters

Compare colleges based on the *net price*, the difference between the total cost of attendance and just gift aid (grants, scholarships and tuition waivers). This is the true bottom-line cost, the amount you and your family will have to pay from savings, income and loans to cover college costs.

This is in contrast with the *net cost*, the difference between the cost of attendance and the financial aid package or award. The financial aid package may include loans, which must be repaid, usually with interest.

The net cost will be similar for most colleges, about the same as the expected family contribution (EFC). The net price, on the other hand, may vary significantly among colleges, depending on the mix of grants and loans in the financial aid package.

When evaluating the net price of a college, ask the college whether it practices front-loading of grants. Colleges that practice front-loading of grants provide more grants during the freshman year, making them look less expensive. Likewise, ask about a college's outside scholarship policy. Some colleges will reduce grants instead of loans and/or student employment when a student wins a private scholarship.

More than six dozen elite colleges offer generous "no loans" financial aid policies that replace loans with grants in the financial aid package. This can yield a net price that is as inexpensive as an in-state public college. A list of no loans colleges can be seen at www.finaid.org/noloans.

Financial Aid Equations

Financial Need	=	Cost of Attendance (COA) – Expected Family Contribution (EFC)
EFC	=	Parent Contribution + Student Contribution
Financial Aid	=	Gift Aid + Self-Help Aid
	=	approximately the Financial Need
Gift Aid	=	Grants + Scholarships + Tuition Waivers
Self Help Aid	=	Loans + Student Employment
Unmet Need	=	Financial Need - Financial Aid
	=	Cost of Attendance - Financial Aid - EFC
Net Cost	=	Cost of Attendance - Financial Aid
	=	approximately the EFC
Net Price	=	Cost of Attendance - Gift Aid

Tips about Student Loans

Always borrow federal first. Federal student loans are cheaper, more available and have better repayment terms than private student loans. Federal student loans are eligible for income-based repayment and public service loan forgiveness, while private student loans are not. The unsubsidized Stafford and PLUS loans do not depend on financial need, so you do not need to be poor to qualify for low-cost federal education loans.

Before you spend student loan money on anything, ask yourself if you'd still buy it at twice the price, since that's realistically what it is going to cost you. Every dollar you spend in student loan money will cost you about two dollars by the time you repay the debt.

Education debt may be good debt because it is an investment in your future. But too much of a good thing can hurt you. Don't borrow more than $10,000 for each year in school. Undergraduate students who borrow $10,000 per year will graduate with more debt than 90% of their peers. Undergraduate students who borrow $7,500 per year will graduate with more debt than 75% of their peers. If you have no choice but to borrow from a private student loan or the PLUS loan program, it may be a sign that you are overborrowing and should consider ways to cut college costs.

Do not treat loan limits as targets. You can and should borrow less than allowed under the annual and aggregate loan limits.

Bachelor's degree recipients earn 70% to 80% more, on average, than high school graduates who did not go to college. But this is an average. Some students will earn less, making it more difficult for them to afford to repay their student loans.

Consider tuition installment plans as a less expensive alternative to student loans. Tuition installment plans let you pay the college bills in equal monthly installments over the academic year. Tuition installment plans do not charge interest, but typically charge an upfront fee of $50 to $100.

Pay the interest on unsubsidized loans during the in-school and grace periods to prevent the loan balance from growing larger due to interest capitalization. For example, if a student borrows the maximum amount of unsubsidized Stafford loans, interest capitalization will increase the loan balance at repayment by about one-sixth for a 4-year Bachelor's degree program and about one-tenth for a 2-year Associate's degree program.

Try to keep your student loan debt in sync with your earning potential after graduation. Total education debt at graduation should be less than your expected annual starting salary, and ideally a lot less. You can estimate debt at graduation by multiplying your first year's debt by the length of the education program (e.g., 4 for a Bachelor's degree). If your debt is less than your annual income, you will be able to repay your student loans in about 10 years. If your debt exceeds your annual income, you will need an alternate repayment plan like extended repayment or income-based repayment in order to afford your monthly loan payments. These repayment plans reduce the monthly payment by stretching out the term of the loan to 20 or more years. This means you will still be repaying your own student loans when your children enroll in college. You won't have saved for their college education and you will be less willing to borrow for their college education because you'll still be repaying your own student loans. If you borrow more than twice your starting salary you will be at high risk of default.

The harsh reality is that students who major in liberal arts tend to earn less than students who major in STEM (science, technology, engineering and mathematics) and nursing. This doesn't mean you should abandon your dreams, just that you should borrow less for your education. Consider how much you will have to borrow before you enroll and how you will be able to repay that debt after you graduate. It is easier to reduce debt before you incur it than afterward. If you borrow too much you may ultimately be forced to abandon your dreams because of the need to repay your education loans. Students who graduate from undergraduate school with no loans are twice as likely to go on to graduate school as students who graduate with some debt. Students who graduate with too much debt are less likely to pursue careers in public service.

Older students and parents should borrow no more than they can afford to repay in 10 years or by the time they retire, whichever comes sooner. All debts including credit cards, auto loans, mortgages and student loans, should be paid off in full by retirement, since there's no new income coming in after retirement, just assets. It doesn't make sense to be paying a higher interest rate on a loan than you are earning on your investments. But if there aren't enough retirement assets to pay off the debt and still have money left over for a comfortable retirement, you may have no choice but to stretch out the loan as long as possible, so that the monthly loan payments are as small as possible. Federal education loans, including the Parent PLUS loan, are discharged when the borrower dies and so won't count against your estate.

A creditworthy cosigner can increase your chances of qualifying for a private student loan and may yield a lower cost loan, since eligibility for a private student loan and the interest rate are based on the higher of the two credit scores. More than 90% of new private student loans require cosigners.

But a cosigner is a co-borrower, equally obligated to repay the loan. Cosigning a private student loan doesn't just enable the student to qualify for the loan. It also gives the lender two fish on the hook instead of just one. The loan will show up on the credit history of both borrower and cosigner. If the borrower is late with a payment or defaults, it will ruin both credit scores. If a cosigner cannot afford to repay the debt on their own, he or she shouldn't cosign the loan application.

Parents should consider the federal Parent PLUS loan before cosigning a private student loan. Most parents who qualify as cosigners on private student loans should also qualify for the federal Parent PLUS loan.

Beware of variable interest rate loans. They may seem to have lower interest rates, but the interest rates can change significantly over the life of the loan and may ultimately cost you more than a fixed-rate loan.

Tips about Consolidating Student Loans

Consolidation is a form of refinance, in which a new loan pays off the old loans. A consolidation loan may provide a different interest rate than the original loans. A key benefit of consolidating is that it streamlines repayment, replacing multiple loans with a single loan. (If all of a borrower's loans are with a single lender, however, the lender may offer unified billing so that the borrower receives only one bill for all the loans.) Consolidation may offer an opportunity to switch from one lender to another.

Some borrowers use consolidation to release the cosigner on their private student loans from the obligation to repay the loans by obtaining a consolidation loan without a cosigner. The consolidation loan pays off the old loans, effectively releasing the cosigner from the obligation to repay the debt.

Consolidation of federal student loans does not save money, as the interest rates are already fixed. The interest rate on a federal consolidation loan is the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest 1/8th of a point and capped at 8.25%. (An alternate repayment plan might reduce the monthly payment amount by extending the term of the loan, but this increases the total interest paid over the life of the loan. For example, increasing the term of an unsubsidized Stafford loan from 10 years to 20 years reduces the monthly payment by about one-third, but more than doubles the total interest paid over the life of the loan.)

Consolidation of private student loans may yield a lower interest rate, but only if the borrower's credit score (and the credit score of the cosigner, if applicable) has improved. The interest rate on a private consolidation loan is based on the current credit score of the borrower *and* cosigner. If the original loans were made with a cosigner and the new loans are made without a cosigner, the borrower's credit score must be better than both credit scores. Typically, the credit scores decrease with each successive year in school, since each year adds more loans. It takes several years after graduation for a borrower's credit score to improve. The borrower must pay all debts, not just student loans, on time as per the agreement. On-time means no late payments, not even a day late. It is very easy to get a bad credit score, but very difficult to build a good credit score.

It is more difficult to qualify for a private consolidation loan than a private student loan, because lenders are wary of adverse selection, where borrowers who are struggling financially are more likely to seek a private consolidation loan.

It isn't always beneficial to consolidate student loans. If a borrower has student loans with interest rates that differ a lot, keeping the loans separate provides an opportunity to accelerate repayment of the highest interest rate loan first after making the required monthly payments on all the loans. This will save money by reducing the average interest rate paid on the loans. Borrowers who consolidate their student loans aren't able to selectively accelerate repayment of the highest interest rate loan, since consolidation replaces the previous loans with a single new loan that has just one interest rate.

Tips about Repaying Student Loans

Get organized. It is easy to overlook a loan when you graduate with 8-12 loans. Make a list of all your loans, including contact information for the lender, the loan id number, the interest rate, the loan balance and the date the first payment is due. FinAid's student loan checklist can help. It is available at www.finaid.org/studentloanchecklist. Put a reminder in your calendar two weeks before your first payment is due. You must make a payment even if you don't receive a statement or coupon book from the lender.

Choose as short a repayment term as possible. Increasing the loan term on an unsubsidized Stafford loan from 10 years to 20 years cuts the monthly payment by a third, but more than doubles the interest paid over the life of the loan.

After you graduate, accelerate repayment of the highest interest rate loan first. Student loans do not have prepayment penalties. Making an extra payment can save you money. After you make the required payments, direct any extra money toward accelerating repayment of the most expensive debt first. The most expensive debt is the debt with the highest interest rate, not the lowest monthly payment. Usually this is credit card debt and private student loans. Paying an extra $100 on a 10% loan is like earning 10% interest, tax-free, regardless of the amount you borrowed, and may save you more than $200 over the life of the loan depending on the type of loan.

Avoid extended periods of non-payment, as interest continues to accrue. If the interest is not paid as it accrues, it will be capitalized (added to the loan balance). A year of capitalized interest increases the size of the loan by 7%, and ultimately 25% when you consider the cost of paying interest on interest.

Sign up for auto-debit with electronic billing, where the monthly loan payments are automatically transferred from your checking account. Many education lenders will reduce your interest rate by 0.25% or 0.50% for this.

Up to $2,500 in student loan interest on federal and private student loans can be deducted as an above-the-line exclusion from income on your federal income tax return. You can claim the student loan interest deduction even if you don't itemize.

If you are unemployed, consider volunteering with the AmeriCorps program. The education awards volunteers earn can be used to pay down education debt. For each year you volunteer on a full-time basis, you will earn an education award that is equal to the maximum Pell Grant. Volunteering also gives you experience that may help you get a job.

If you will be working full time in a public service job, such as police, fire, EMT, military, public school teacher, public librarian, city/state/federal government, public defender, prosecutor or any 501(c)(3) tax exempt charitable organization, look into public service loan forgiveness. If you repay your loans using income-based repayment in the federal Direct Loan program, the remaining debt will be forgiven after 10 years of full-time employment in a public service job. See www.finaid.org/ibr and www.finaid.org/publicservice for additional information.

If you run into financial difficulty, talk to your lender before you default. You lose options if you default first. Federal student loans have many options for financial relief, such as temporary suspensions of the obligation to repay (e.g., deferments and forbearances) and flexible repayment plans (e.g., extended repayment, income-based repayment and graduated repayment). The monthly payments under income-based repayment will be less than the wage garnishment amount for most students, so there isn't any benefit to defaulting.

Don't default. The penalties for defaulting are severe. The government can garnish (seize) up to 15% of wages. It doesn't end when you retire, as the government can offset up to 15% of Social Security disability and retirement benefits. The government can seize your federal and state income tax refunds and lottery winnings. 25% of each voluntary and involuntary payment will be deducted for collection charges, slowing the repayment trajectory of the loan. You won't be able to get a FHA or VA mortgage, you won't be able to enlist in the military and the government can block renewal of professional licenses. Your credit will be ruined, making it difficult for you to get a credit card, auto loan or mortgage. You may have trouble renting an apartment or getting a job, as some landlords and employers will check your credit history. It is also almost impossible to discharge student loans in bankruptcy.

If you are having trouble obtaining a mortgage or other credit because of student loans, switching to an alternate repayment plan that reduces the monthly loan payment may help you qualify. Mortgage lenders focus more on the percentage of income that is used to repay debt than on the ratio of total debt to annual income. For a typical mortgage most lenders require student loan payments to be no more than about 10% of gross income. Another option for cosigners who are having difficulty refinancing a mortgage is to ask the primary borrower to seek a cosigner release or private consolidation to remove the loans from the cosigner's credit history.

Tips about Student Employment

Work part-time during the school year and work full-time during the summer to earn money for college. Even if you don't qualify for Federal Work-Study, there are usually plenty of part-time jobs on or near college campuses. Working 10-12 hours a week during the semester will help improve your grades by forcing you to learn time management skills. Working a full-time job during the school year will hurt your performance by taking away time from academics. Students who work full-time during the school year are half as likely to graduate. Enroll full-time and work part-time, not vice versa.

Some colleges provide free room and board to students who work as Head Residents or Resident Assistants. Some colleges pay students in leadership positions in student activities, such as president of the student body or editor of the student newspaper. There are also ROTC scholarships for students interested in pursuing a career in the military.

Tips about Education Tax Benefits

You can get a Hope Scholarship Tax Credit (also known as the American Opportunity Tax Credit) on your federal income tax return. The Hope Scholarship provides a tax credit of up to $2,500 (of which $1,000 is refundable) based on $4,000 in qualified higher education expenses, which include amounts paid with cash or loans for college tuition, fees and course materials (textbooks).

Tips about Cutting College Costs

Live like a student while you are in school so you don't have to live like a student after you graduate. Your primary purpose in going to college is to get an education. Minimize your personal expenses, such as eating out, specialty beverages and paid entertainment. Purchasing a $10 pizza each week will cost about $2,000 by the time you graduate. If you pay for the pizza using student loan money, it will cost you about $4,000 by the time you've paid off the debt.

Don't bring a car with you to college. Parking spaces in preferred parking lots may be limited and oversold. Parking on campus can also be expensive. Check with your college campus to see if they offer a service like ZipCar.

One of the most effective ways to save on college costs is to enroll at an in-state public college. You may need an extra year to graduate with Bachelor's degree at public colleges, but you'll still graduate with less debt and a better return on investment. (If you want to enroll at an out-of-state public college, try to establish residency first so that you can qualify for reduced in-state tuition. Establishing residency may require living in the state for at least 12 consecutive months before enrollment. Regional student exchange programs may enable you to qualify for reduced in-state tuition in neighboring states.)

Enrolling at a 2-year college is a good option if you want to earn an Associate's degree or a Certificate, but not if you want to earn a Bachelor's degree. Taking a detour through a community college to save thousands of dollars on your way to a 4-year degree may ultimately mean that you never reach your destination. Of students who intend to obtain a Bachelor's degree, only 1/5 of those who start at a 2-year college graduate with a Bachelor's degree within 6 years. This is in contrast with students who start at a 4-year college, where 2/3 graduate with a Bachelor's degree in 6 years. In states with strong articulation agreements, where students who graduate from the state's community colleges with an Associate's degree are guaranteed admission to one of the state's 4-year public colleges, about 1/3 of the students who start at a 2-year college eventually receive a Bachelor's degree. A better strategy for saving on tuition might involve enrolling at a 4-year college but taking classes during the summer at a community college. But check first with your home campus to determine whether the credits will transfer and whether the credits count for prerequisites or just for general requirements.

You can also save money by buying used textbooks or selling your textbooks back to the bookstore at the end of the semester or by borrowing the textbooks from the college library or the instructor. Other options include textbook rental programs and using the textbook's ISBN to search online for discounted textbooks or ebook versions. Some students borrow textbooks from the college's library or share textbooks with a roommate or friend.

Visit home less frequently to cut travel costs. Skip vacationing on spring break.

Live at home during college, especially if at an in-state public college, to graduate with thousands of dollars of less debt. Tell your parents that it is better for you to live at home *during* your college education than to be forced to live at home *after* you graduate. If you live off-campus, get a roommate to split the costs or you may have higher costs than students who live on campus.

You can sometimes get two degrees for the same money by double majoring. When pursuing a double major, make sure you don't fulfill the requirements for either major until the last semester. Some forms of financial aid are not available to students who have already received a Bachelor's degree. If you finish one degree before the other, you may lose eligibility for financial aid for the rest of your undergraduate career.

Some colleges offer combined degree programs which save a year's tuition by streamlining the requirements. Examples include programs that combine a Bachelor's degree with a Master's degree, Doctoral degree or MD.

If you are a low-income student (e.g., you qualify for the free and reduced price school lunch program or other federal means-tested benefit programs), ask about application fee waivers and test fee waivers.

Tips about Graduating Quicker (or On Time)

Don't change academic majors or transfer colleges. This increases time to finish by about a year and increases debt.

Plan a pathway to the degree during your freshman year. This pathway will identify which classes you need to take each semester in order to graduate on time.

Take an extra class each semester and classes during the summer semester to graduate quicker. Some colleges do not charge extra tuition for taking a heavier academic load and charge lower tuition during the summer break. Graduating a semester or two early will cut college costs by 10% to 20%.

Get college credit through Advanced Placement, College-Level Examination Program (CLEP) and Proficiency Examination Program (PEP) tests. You may be able to place out of required classes by earning a passing grade on an advanced standing exam, which is like taking the final exam in the class.

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Tips about Budgeting and Managing Money

Borrowers who have too much student loan debt often have problems with other aspects of their finances, so it is best for them to undergo a budgeting exercise.

Start with a descriptive budget, where you track all spending for a month. Get receipts for every expense and write down other expenses in a notebook when there isn't a receipt. Transcribe the expenses every night into a spreadsheet or personal finance program like Quicken or Microsoft Money (or a free version like Mint.com). Categorize the expenses into broad spending categories, such as food, clothing, shelter, health care, insurance, taxes, loan payments, transportation and entertainment. Also label every expense as mandatory (need) or discretionary (want). Be realistic about the differences between needs and wants. A mobile phone and cable TV are not necessities, they are luxuries. Just being aware of how you spend your money will help you exercise restraint.

At the end of the month, compare the total expenses with income. If total spending exceeds total income even after eliminating most discretionary spending, it's time for difficult decisions, such as:

- Move to a cheaper apartment, get a roommate or move back into your parent's house to save on rent.
- Sell your expensive car and either buy a cheap used car or use public transportation.
- Do not eat out or participate in paid entertainment unless someone else is paying.
- Bring homemade lunches to work and do not spend money in vending machines.
- Do not buy specialty beverages, coffees, teas or sodas.
- Sell off excess belongings on eBay to raise money to pay down your student loan debt. Any belongings that haven't been used in a year or which really aren't needed are candidates for liquidation.
- Get a second part-time job on evenings and weekends. Not only will this yield extra income to pay down debt, but it is also more difficult to spend money if you're working all the time.

Always try to spend less than you earn, saving as much as a fifth of your income for the last fifth of your life. Live below your means, so you have the means to live when you retire.

Wait three days before buying anything expensive to make sure you really need it.

Minimize credit card debt. College students get into trouble with credit cards, not just student loans. Do not charge more than you can afford to pay off in full each month, or you will be living beyond your means. Spending $500 with plastic feels the same as spending $5, so it is more difficult to exercise restraint.

Top Ten Financial Aid Tips from Fastweb.com

1. Start saving for college and searching for scholarships as soon as possible. Every dollar you save or win is a dollar less you'll have to borrow. Every dollar you borrow will cost you about two dollars by the time you've repaid the debt.
2. Answer all the optional questions when using a scholarship matching service. Students who answer the optional questions match about twice as many scholarships as students who answer just the required questions.
3. Google your name and review your Facebook account to ensure that you have a professional online presence.
4. If you have to pay money to get money, it's probably a scam.
5. File the Free Application for Federal Student Aid (FAFSA) as soon as possible after January 1 at www.fafsa.ed.gov. The FAFSA is the gateway to financial aid from the federal and state governments and most colleges and universities.
6. Education debt may be good debt because it is an investment in your future. But too much of a good thing can hurt you. Total student loan debt at graduation should be less than your annual starting salary, and ideally a lot less. If your debt is less than your annual income, you will be able to repay your student loans in about 10 years. Otherwise you will struggle to repay your loans and may still be in repayment when your children enroll in college.
7. Always borrow federal first. Federal student loans are cheaper, more available and have better repayment terms than private student loans.
8. Live like a student while you are in school so you don't have to live like a student after you graduate.
9. Compare colleges based on the net price, the difference between the total cost of attendance and just gift aid (grants and scholarships). This is the amount you will have to pay from savings, income and loans to cover college costs.
10. If you have any unusual circumstances, ask the college's financial aid administrator for a professional judgment review. Some colleges call it a special circumstances review or financial aid appeal. Unusual financial circumstances may include anything that has changed from last year to this year or anything that differentiates the family from the typical family. Examples include job loss, salary reductions, death of a wage-earner, high dependent care expenses for a special needs child or elderly parent and high unreimbursed medical or dental expenses.