

# College Expenses Bigger than your Savings? Simple Solutions to Cure the Coming-Up-Short Blues



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The time has finally arrived; your child is entering college! You've been dreaming, planning and, likely, SAVING for this day since your child could barely walk. Now that you have the college bills in hand, furnished the dorm room and looked at the textbook list, are you finding your funds coming up short? You're not alone! Many people find that, despite their best efforts, changing economic conditions and escalating tuition costs, money saved is now not enough. If this happens to you, be sure you plan this last bit of financing just as carefully as you have the rest of your savings.

If your child's financial needs exceed what is awarded through grants, scholarships, work-study programs and/or federal student loans, you'll need to consider outside sources to help bridge the gap. The silver lining in this cloud is that there are several financing options available that fit a variety of needs.

**A Few Options to Consider**

**PLUS Loans for Parents** - Families of dependent students can get educational funds through the Parent Loan for Undergraduate Student (PLUS) program. The PLUS loan program allows parents to borrow through the Federal Family Education Loan Program (FFELP) on behalf of their student. Parents can borrow up to the total cost of attendance minus other aid received. A verification of credit history is required; however, the loan is not based on the borrower's debt-to-income ratio. Parents re-apply for the PLUS loan each academic year and the loan amount is added to the repayment

amount as each loan is disbursed. PLUS borrowers must begin repaying PLUS loans within 60 days after the full loan amount is disbursed.

**Lines of Credit** - Lines of credit offer parents or guardians immediate flexible spending power not usually offered by traditional education loans. The line of credit limit is often based on your income and assets, which demonstrates the ability to repay, and approval is based on your credit history. The money is accessed only as you need it, so you have control over how and when the money is disbursed.

**Home Equity Line of Credit** - This reusable line of credit turns your house into a checkbook. It lets you borrow what you need, as you need it. It's great for ongoing expenses, like college tuition. After applying just once, the money is available any time you're ready to use it by writing a check to activate your credit line. Your check may be written for as little or as much as you need, up to your credit line limit. A home equity line of credit typically has a lower interest rate than an installment loan or unsecured line of credit. Additionally, the interest you pay may be tax deductible. (Consult your tax advisor regarding the deductibility of interest.)

The information you'll need when applying for these loans varies by the loan and financial institution. So, be sure to contact the financial institution or check online before starting your application. In most cases, you can apply and even sign your loan documents online!

**Things to Remember**

-Don't borrow more than you'll be able to repay. Your obligation to repay any amount borrowed plus interest does not change even if your child doesn't earn his/her degree or is unsatisfied with the educational experience. Developing a budget can help you assess your child's financial needs.

-Most banks offer the same loans. The difference is in the financial institution and the student loan department. Make sure your financial institution offers a comprehensive group of student services and begins by asking about your individual needs and goals before recommending a solution.

-Communicate with your lender. They're there to help you in this process from securing the financing all the way through repayment.

-Keeping organized is a wise move. One of the most sensible steps you can take in managing educational debt is to establish a single file to retain all papers relating to student finance.



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