

Navigating The World of Student Loans

Outstanding student loan debt was more than \$800 billion in 2010, overtaking credit card and auto loan debt for the first time.

So the acceptance letter came. You're going to college and couldn't be happier. For many, however, the excitement dims when the reality of paying for further education hits.

As state funding for higher education has dipped and tuition and fees have gone up, college students have increasingly turned to student loans to help pay for tuition, books and more. The good news is that such help is available, but understanding the long-term implications on a borrower's overall financial picture is critical, according to Elizabeth Kiss, associate professor of family studies and human services at Kansas State University. Student loan debt can affect careers, home ownership and overall wealth years after the last college exam is taken.

"Approximately 40 percent of undergraduate students received federal student loans in 2013-2014," said Kiss. "Student loan debt, as a proportion of American's debt, has increased over time. By 2013 it was 9 percent of the total debt of Americans, second only to mortgage debt."

An analysis of U.S. Department of Education data shows 30 percent of student loans in 2015 were either in deferment or forbearance, where borrowers have requested more time to pay them off or asked that the amount of the payment be temporarily reduced, 7 percent of student loans were in default.

Having student loan debt well into adulthood can hamper one's ability to buy a home, save for retirement or start a business, Kiss said.

"Keep in mind that there are three broad ways to pay for education and training beyond high school scholarships and grants," she said. "They are using savings, work-study or a job. In addition to student loans. Most students will use all three."

Critical moments in the decision-making process include evaluating post-high school options. Is a four-year school across the country the best choice? What about a community college 15 minutes from home? Public university or private college?

Would-be borrowers should understand what type of loan they are considering:

private (commercial lenders or banks) or public (government) loans? Is the loan need based or non-need based? Borrowing and repayment options differ by the type of loan.

Knowing the long-term implications, Kiss said, including the repayment process, before signing loan documents.