

For Release: June 2008

Contact: Don Meyer
973-226-4494, ext. 207
dmeyer@njscpa.org

Don't Get Swamped by Student Loan Debt

Are you or is someone in your family facing heavy student loan debt? According to a study by the Project on Student Debt, recent graduates left college with an average of \$19,646 in student loan obligations. "Unfortunately, some graduates have additional credit card debt or car loans," says Ken Shapiro, CPA/PFS, a certified financial planner in Hazlet. "They get layers of debt, and can get into financial trouble quickly."

As a first step toward mature, financial independence, Shapiro recommends that new graduates develop a financial plan. "Work out a budget," he says. "Determine what your real needs are. Figure out how much you can afford to pay down. Pay on time so you can build good credit. That will give you additional resources to help you manage the debt in the future."

For younger students and parents of children who still have college ahead of them, Shapiro has some additional advice. "This is something I am recommending to some of my clients," he says. "For the first two years, attend the local community college," Shapiro says. It's where you graduate from that matters, not where you start." New Jersey offers free community college tuitions for top high school students – the NJ STARS program. The state has also passed a law that all community college students get full credit for their work when they transfer to four-year schools.

The New Jersey Society of Certified Public Accountants (NJSCPA) offers other suggestions on how to manage college debt:

Lower Your Payments

If your monthly loan costs are simply too much, one simple and immediate solution is to reduce them by finding out if you can lengthen the amount of time you have to pay the loan – from 10 years to 20 years, for example. You should be aware that extending the loan term means that you will end up paying more interest over time, but lowering the monthly payment amount may be your top priority right now. Remember, if your financial situation improves in the future you can always increase your monthly payments thereby shortening the length of the loan.

– More –

Consider Consolidation

Students often sign up for a number of different loans to finance their education. That may mean you end up writing several checks to different lenders at various points in the month. When you consolidate, you take out a new loan that is equal to your total debt and use it to pay off all your existing balances. You then can pay just one student loan bill each month. It will make life easier, but it may not necessarily lower your overall monthly outlay, depending on the new loan terms. If you do find a consolidation loan that will reduce your monthly payments, make sure to examine the loan terms carefully. And remember, if you will be paying off the consolidation loan over a longer period, the loan will cost you more in the end, so it may not be the best choice.

Do Well by Doing Good

Do you wish you could make a difference in the world? It's possible to cancel some or all of your federal student loan balance by signing up for any one of a number of programs aimed at making positive change. For example, teaching in an elementary or secondary school in a low-income area can reduce some federal loan totals, while serving a two-year term in the Peace Corps can also lead to a reduction in your loan balance.

Volunteers for AmeriCorps and VISTA may qualify to postpone loan payments while they are involved in the program and receive stipends that can be used to pay down student loan debt.

Health professionals who spend two years working with the National Health Service Corps serving communities that have a shortage of medical help can qualify for loan forgiveness of up to \$25,000 a year. In addition, many law schools have loan forgiveness programs for newly minted attorneys who take jobs in public interest law. If you have a strong interest in making a difference, that commitment can also help you relieve some of your student loan obligations.

Ask a CPA

Whether you are seeking to reduce your regular payments or manage your overall student debt obligation, your local CPA can provide advice on the best way to accomplish your goals. What goal you choose, creating a plan and sticking to it are the best ways to get there.

For additional information about budgets, college savings plans and many other topics related to personal financial planning, visit MoneyMattersNJ.com and click on the "Financial Planning" menu. You can also subscribe to *Your Money Matters*, the NJSCPA's award-winning free, monthly email newsletter.

#