



*Attorney General  
of New York  
**Letitia James***

*Dear New Yorkers,*

A college education is a big investment. For many students and their families, that includes borrowing the necessary funds to pay for it. Before you sign onto a large debt, make sure you ask the right questions and understand all your options.

Remember to read every form and contract thoroughly, and never sign something you don't understand. It took some "smarts" to get you into the college of your choice. Use those same skills to become a smart borrower and savvy consumer.

Sincerely,

*Letitia James*

# Resources

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**New York State Office of the Attorney General, Consumer Frauds Bureau**

(800) 771-7755  
ag.ny.gov

**NYS Higher Education Services Corp  
For information about NYS Tuition Assistance Program other programs:**

(888) 697-4372  
hesc.ny.gov

**U.S. Department of Education  
Office of Federal Student Aid**

studentaid.ed.gov

To file the "Free Application for Federal Student Aid":

(800) 433-3243  
fafsa.gov

**U.S. Consumer Financial Protection Bureau**

For tools to compare college costs and other financial information.

consumerfinance.gov/paying-forcollege

**Annual Credit Reports**

To check your standing with the major credit rating agencies.

(877) 322-8228  
annualcreditreport.com



# Paying for College?

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*Raise Your Financial IQ*



**New York State Office  
of the Attorney General  
*Letitia James***

## Know Complete College Costs

Consider not only tuition, room and board, but also fees, books and supplies, transportation and personal items. The Consumer Financial Protection Bureau ([consumerfinance.gov/paying-for-college](http://consumerfinance.gov/paying-for-college)), along with the United States Department of Education, has devised a worksheet to help students compare actual college costs and financial aid packages.

## Minimize Borrowing

Before you take out a student loan, explore all of your non-borrowing options, such as scholarships and grants, work-study or other employment, and savings.

## Beware of Financial Aid Scams

You may frequently see offers to help you file a Free Application for Federal Student Aid (FAFSA) or that guarantee scholarship money for a fee. These are usually scams.

FAFSA has only one site for filing and that is [fafsa.gov](http://fafsa.gov). Others may sound similar, but these will charge you to file.

The FAFSA website provides instructions and online help for completing this necessary application and most schools and colleges will offer advice free of charge if you run into problems.

If someone “guarantees” you scholarship money, it’s probably a scam. There are free search engines from reputable companies to help you find scholarship and grant sources. Don’t pay for these services.

## If You Borrow

### Exhaust Federal Loan Options First

Before considering a private loan, exhaust all federal loan options. Federal loans, including Perkins, Stafford, and PLUS Loans are almost always cheaper and always have better repayment options and other consumer protections.

### Advantages

Some types of federal loans are subsidized, which means that the government pays the interest on the loans that accrues while you are in school. These loans are “need based.” Other types of federal loans are available regardless of family income. Federal loans also have fixed interest rates, which means that the interest rate does not change over time. In contrast, many private loans have variable interest rates.

### PLUS Loan

The federal government sets a maximum amount that students can borrow under the Perkins and Stafford Loan programs. However, federal loans called PLUS Loans can be used for the entire cost of attendance over and above your federal Perkins and Stafford loans. PLUS Loans are available to parents of undergraduates and to graduate students.

### Can’t Walk Away From Student Debt

Keep in mind that, unlike other types of debt, student loans are virtually impossible to eliminate by declaring bankruptcy – exceptions are rare. The loans you take out at age 18 will be with you until they are paid.

### Credit Cards: Think Twice

Credit cards generally have a much higher interest rate than student loans. If you can’t pay the credit card bill in full on its due date, you will end up paying even more interest on the credit card debt than you would on a student loan.

### Private Loans

It’s important to do your homework when considering a private student loan. Be sure you ask a lot of questions then, shop around for the loan that works best for you. Websites such as the National College Finance Center ([collegefinancecenter.org](http://collegefinancecenter.org)) provide online tools that can help you compare different loan offers.

### Pay Attention To “Borrower Benefits”

Some lenders offer interest rate discounts and other “borrower benefits” that become available when a loan goes into repayment. However, many students are ultimately unable to qualify for benefits that require a certain number of consecutive on-time payments. Loans that offer automatic interest rate discounts may be a better choice. Also, many private lenders sell their loans, so make sure to verify that any borrower benefits will be available at repayment if your private loan is sold to another lender.

### Keep Records

It’s usually more than four years between signing for a loan and starting to repay it. Keep copies of all communications (including emails and a log of telephone calls) from your lender over the course of the loan. It will be important to refer back to all these details when you start paying back the loan. Be sure you have copies of:

- Financial aid forms and award letters;
- Loan applications;
- Promissory notes and disclosure statements;
- Notices and other written communication, including email, from your lenders/holders/servicers/loan providers;
- A log of telephone conversations.