



Consumer Credit Counseling Service
of Maryland and Delaware, Inc.

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Helping people help themselves through Education, Financial Counseling and Debt Repayment

CCCS OFFERS PARENTS STRATEGIES FOR DEALING WITH STUDENT LOAN DEBT

(Baltimore, MD) - If your son or daughter is due to graduate from high school this spring, right now you are probably considering how to finance his or her college education. With undergraduate college costs averaging \$12,600 - \$35,500 a year, this may prove to be no easy feat. Families often have to draw on numerous financial resources (college savings plans, scholarships, grants and summer student employment) to cover educational costs; and for many, the financial drain doesn't end with graduation. This is particularly true when parents co-sign to help children borrow larger student loans. Until new graduates find gainful employment, they lack the income to support themselves and to pay their debts. Most are forced to move back home. If they remain unemployed or underemployed for an extended period, they may miss or make late payments and risk defaulting on their student loans. If this happens, parents who co-signed the loans are obligated to take on the payment – which is not usually included in their budgets. These parents suddenly face a bleak financial outlook. Local nonprofit Consumer Credit Counseling Service of MD and DE (CCCS) recommends that families actively discuss the status of their children's student loans and plan ahead to avoid this scenario.

CCCS Director of Counseling and Client Management Nina Heck says, "Before taking out a student loan, parents need to sit down with their children and discuss the responsibilities involved. They need to look at the family's current budget and what they can realistically afford. They also need to consider all of their options: For example, it costs a lot less to attend a community college than a private school or to attend college close to home and avoid housing expenses. It may be less expensive to live in the dorm instead of off campus. They also need to discuss how they will handle things if the student doesn't gain immediate employment after graduation."

Today, college students borrow double the amount they did a decade ago. In fact, in 2010, student loans surpassed credit cards as the nation's largest single source of debt and now total almost one trillion dollars. According to the Project on Student Debt, a nonprofit independent research and policy organization, the average undergraduate student leaves college owing \$24,000, and those who complete graduate school may end up owing much, much more. This trend is matched by a steep increase in student loan defaults. Default rates have doubled since 2005. Parents who hope to preserve their children's good credit or who co-sign on loans are likely to be stuck with a very large bill.

According to Heck, "Student loans for four-year students are no small expense. They can add up to as much as a mortgage. Parents often don't recognize this fact and are faced with a serious problem if their children graduate and aren't able to make the necessary payments. If they're already living on the edge—just covering the family's monthly living expenses and mortgage — taking on the student loan may spell financial disaster. How many of us can afford to pay the equivalent of two mortgages?"

Heck recommends that parents take the time to assess their own financial situation before, during, and after their children attend college. "Unless you know where you stand, how can you possibly figure out how

much you can afford to contribute?" She suggests that they set financial limits and provide money management lessons before children leave home. "Sit down with them and develop a student budget. Discuss exactly how much money they really need in order to live and emphasize the importance of using their funds wisely. Brainstorm ways they can keep their expenses low -- like walking or bicycling to school instead of keeping a car on campus. Warn them that they're likely to be tempted to overspend on food for friends or spring break, and set ground rules on how much is too much."

Heck also advises parents to take a very active role if their children decide to apply for a student loan. "Show them how student loans work and help them understand common terms like *deferment* and *forbearance*. Review the different kinds of loans available and discuss what each type involves. Help them decide how much they can afford to borrow. Review the application forms they plan to submit and be there when they sign for the loan. Make sure they recognize the responsibilities they are taking on." She also suggests that parents think twice before co-signing on student loans. "Remember, if for any reason your child isn't able to make the payments, you will be responsible for repaying what's owed. Also be aware that student loans cannot be legally discharged through bankruptcy like some other types of debt."

Once students are in college, Heck notes that parents need to monitor their spending. "At school it's easy to blow money on nonessentials like fast food, entertainment, and beer. These small splurges can really add up. Routinely ask your children how they're spending their money. Remind them that every student loan dollar they spend now will have to be paid back with interest once they graduate."

For many parents, student loan debt concerns continue long after graduation. In today's slow economy, graduates are likely to have trouble finding well paying jobs, and with no income in sight may be forced to move back home. In a recent Twentysomething.com survey, 85 percent of the graduates polled said they plan to return home to Mom and Dad. Heck advises parents faced with this situation to take immediate action. "Start by evaluating where you and your family stand financially. Tell new graduates to call their student loan providers to discuss repayment options. Also, suggest they contact their college career placement offices. Alumni are entitled to use of these services. Discuss ways you all can tighten your belts to help stay on budget. If your child is having trouble finding a job in his or her field, suggest taking another available job. Any income is better than no income if you're struggling financially."

Heck offers one final piece of advice. "Whether you're a student or parent with financial difficulties, don't hide your head in the sand and expect the problem to go away. It takes an average of 15 to 20 years to pay off most student loans, and deferment and forbearance won't last forever. It's better to face the music now and get help."

CCCS of MD & DE provides free, confidential financial counseling at local offices and by phone. During sessions, certified CCCS counselors help clients evaluate their financial situation, set up a budget, and explore options for repaying their debts. Counselors may also provide strategies and resources for dealing with student loans. To set up an appointment, call **1-800-642-2227**. To learn more about CCCS's mission and services, visit **www.cccs-inc.org**.

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Consumer Credit Counseling Service of MD & DE, Inc. (CCCS) is an accredited nonprofit agency that has served the local community since 1966. CCCS is dedicated to helping individuals and families resolve their financial problems. We promote the wise use of credit through education and confidential budget, money management counseling, and housing counseling. MD State License #14-01 / DE State License #07-01.