

How Much College Debt is Too Much?

You'll have to pay back your student loans some day. Here's how to make sure you don't get in over your head.

By Janet Bodnar

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Thank you for the great articles on how to pay for college. It's so important for parents and future college students to understand the best ways to approach this.

My future brother-in-law is a junior in high school. He insists that he cannot go to school in-state, but his family isn't in a position to help him pay for his education. My fiancée went through the same situation and we are now saddled with more than \$100,000 in debt. I plan to pass on your articles in hopes that my future brother-in-law can avoid this mistake.

Thanks for the kind words. As I wrote [at the start of my series](#), keeping college costs under control starts with an honest appraisal of how much your family can and should pay.

Surprisingly, despite all the attention being paid to student loans, only a small percentage of students say they choose a school based on affordability, according to a survey by Key Bank. Of the students polled, 36% said curriculum was the most important factor when selecting a school; only 12% selected a school based on affordability.

Of course, choosing a school is an educational decision. But economics also plays a big part -- as the students themselves discovered. Once kids got to college, making ends meet financially was the number-one concern of students in the Key Bank study -- cited by 25% -- ahead of keeping up with the workload (20%) and getting good grades (16%). But it's a little late to find that out after you've sent in the deposit.

To get an idea of how much debt is reasonable, start with the Student Loan Advisor calculator at www.finaid.com. Students plug in their field of study, expected graduation date and loan interest rate. The site gives them the maximum loan amount they can safely handle, assuming they want to limit their monthly payments to between 10% and 15% of their income.

Say your future brother-in-law plans to major in education. As a teacher, he can anticipate a starting salary of \$35,100, according to the calculator. To limit his payment to 10% of his income, he could borrow about \$25,500 at a 6.8% interest rate (the rate on new government-sponsored Stafford loans) with a ten-year repayment schedule.

If he's planning to be a chemical engineer, with a projected starting salary of \$60,300, he can borrow \$43,700, given the same assumptions.

That's more manageable than \$100,000, but it's still a lot of debt. Which brings me back to where I started my series of columns: If money is an issue, consider going to school in-state at a public college or university, or start at a local community college and then transfer. If you still decide to borrow more money to attend an expensive school, do it with eyes wide open and have a plan to pay off the debt.

Janet's college-financing series:

- [Smart Ways to Pay for College](#)
- [Best Deals on Student Loans](#)
- [College Loans for Parents](#)
- [How to Pay off Student Loans](#)

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