

# Why You Shouldn't Co-sign your Grandchild's Student Loans

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With the average cost of higher education ranging from \$25,000 to \$50,000 a year, it is understandable why many grandparents want to help their grandchildren pay for college. In some cases, a would-be college student may ask their grandparent with good credit for help.

Generally, federal student loans do not require co-signers, but private student loans typically do. Sometimes the parents do not have good enough credit or are not willing to co-sign, so a loving grandparent steps in.

While they may have the best intentions, most of the time, grandparents should decline when asked to co-sign a student loan. Here's why:

- The loan will show up on a grandparent's credit report and can have an impact on their ability to borrow money for their own benefit (e.g., re-finance a mortgage, get a loan on a vehicle);
- Late payments can negatively affect the grandparent's credit scores and subject them to collection calls, lawsuits, and potential wage garnishments or liens on bank accounts;
- If the grandparents take over the payments to preserve

their good credit, the strain on their finances can endanger their retirement plans or savings;

- Such strain on their finances can cause grandparents to do without vital services such as prescriptions, medical procedures, and dental care;
- By co-signing for the student loan, the grandparents have made a gift to their grandchild. Such a gift means that the grandparent is ineligible for long-term (nursing home) Medicaid (MassHealth in Massachusetts) for five years following the gift. Thus, their generosity to their grandchild may adversely impact the grandparent should they need long-term care in the future;
- There may be gift tax implications by co-signing on the loan.

Another risk when co-signing for a grandchild is the possible consequences of a co-signing grandparent's death occurring with a remaining loan balance. Some private lenders have a clause in their loan agreement that makes the loan balance due immediately upon the death of a co-signer.

If you are a grandparent weighing the benefits and risks of cosigning, seek advice for a qualified professional before signing any paperwork to make sure that you do not inadvertently put yourself and your grandchild in a difficult position when helping your grandchild begin their adult lives.

*Do you have a suggestion for a future article topic for Attorney Walecka? Reach out to him directly with a question or topic you think would be helpful to readers.*

*The information contained in this article is not intended to make you an expert on estate planning nor is this article intended to replace the need for the advice of a professional. Rather, this article is simply intended to provide a basic*

*understanding of why estate planning is important for everybody and a basic understanding of some of the more common estate planning tools. This article does not constitute legal advice.*