

outlook™

GRADUATE ENTRANCE GUIDE to managing your student loans



**How financial aid
savvy are you?**

Take the borrower quiz

Who's Who?

plus:
**How much
you need vs.
what you
can afford**



Online financial
planning guide

EDWISE

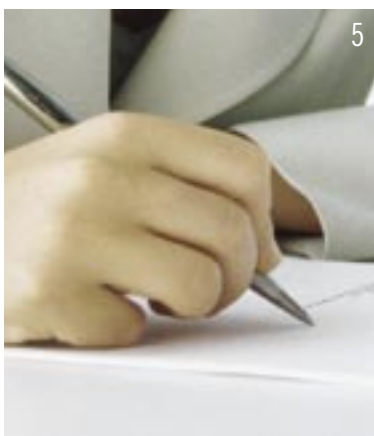
[www.edwise.org]

Figure Your Future

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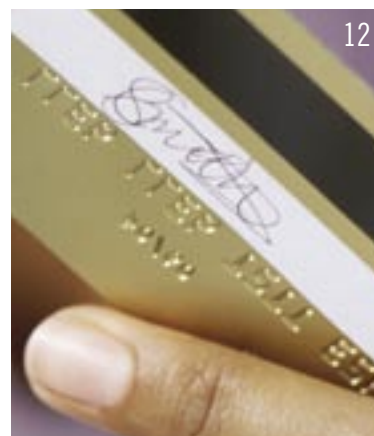
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exclusive

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be sure to:

- READ ALL OF YOUR STUDENT LOAN DOCUMENTS
- KEEP COPIES OF ALL RELEVANT CORRESPONDENCE
- SECURE ALL LOAN PAPERWORK IN A SINGLE, SAFE PLACE



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thoughts of graduate or professional school conjure up images of increased educational costs and more student loans, as well as more personal expenses to juggle. While there's no simple way to sidestep

the essential costs of higher education, there are alternatives to help ease the burden. Once you understand the ins and outs of financial aid, you're well on your way to taking full advantage of the options available to you.

Let's start by exploring whether or not you qualify for assistance. Under most circumstances, eligibility for financial aid hinges on your need: the difference between the cost of attending school and the amount you are expected to contribute as part of the Expected Family Contribution or EFC. The cost, in this case, refers to basics such as tuition, relevant fees, textbooks, supplies, housing, meals, transportation and personal expenses. It's important to estimate your expenses conservatively and borrow only what you need to help pay your educational expenses.

FEATURE

Financial Aid Opportunities

You will demonstrate financial need if your EFC is less than the actual cost of attendance. To be eligible for need-based or even non-need-based financial aid, you must meet the following requirements:

- Be enrolled in an eligible curriculum at an approved college, vocational school or correspondence program
- Meet Satisfactory Academic Progress as defined by your school
- Be a U.S. citizen or eligible non-citizen
- Complete all required application forms
- Have a high school diploma, GED or passing grade on an independently administered test approved by the U.S. Department of Education

FINDING FREE MONEY

Before you apply for a loan to fund your education, explore other possibilities that don't require repayment. These include grants, scholarships, stipends, fellowships and gifts from family and friends.

Scholarships may be offered for academic achievement and other criteria and are applied to college costs. To find out what's available to you, talk with your financial aid counselor, check references at your local library or explore on the Internet. Try key word searches such as “graduate school scholarships” or narrow your search based on your chosen field of study. Also look into additional sources, such as your employer, civic and social organizations or your parents' employers. A contribution of as little as \$20 per week can go a long way toward reducing your financial needs.

FEDERAL WORK-STUDY

If your school participates in Federal Work-Study, you may be able to take on a job, either on or off campus, to assist with the cost of your education. Wages are paid directly to you to help defray college expenses.

BORROWING MONEY

You may have taken out loans to help fund your undergraduate course work. These loans can be deferred while you are enrolled in school at least half time. Be sure to contact your lender to update your in-school status. Loans must be repaid with interest, which will begin to accrue either at the time you receive the money or at the time you enter repayment. If you are borrowing as a graduate or professional student, here are some things you will want to know:

FEDERAL LOANS

Stafford loans are administered under two student loan programs. Your school may participate in one or both of these:

Federal Family Education Loan (FFEL) Program—Funded by lenders and guaranteed by a private nonprofit or state agency.

William D. Ford Federal Direct Loan Program (Direct Loan)—Funded by the federal government.

Fees up to 3 percent may be deducted from the loan amount in either program and may consist of a loan origination fee and a federal default fee.

SUBSIDIZED STAFFORD LOANS

Eligibility for a subsidized Stafford loan is based on need. Interest is paid by the federal government while you're in school at least half time, during the grace period and during periods of deferment. Repayment begins six months after you graduate, leave school or drop below half-time enrollment.

UNSUBSIDIZED STAFFORD LOANS

Unsubsidized Stafford loans are available to all eligible students at participating schools and are not based on need. You are responsible for paying the interest and interest begins to accrue at the time of your loan disbursement. You may make in-school payments, but you have the option to defer the interest and have it added to the principal balance (see Capitalization on page 9). Regular monthly payments begin six months after you graduate, leave school or drop below half-time enrollment.

ADDITIONAL UNSUBSIDIZED LOANS

Certain graduate and health professions may be eligible to borrow additional unsubsidized loans. An additional \$20,000 for a nine-month academic year or an additional \$26,667 for a 12-month academic year applies to students pursuing the following doctorate degrees: Allopathic Medicine, Osteopathic Medicine, Dentistry, Veterinary Medicine, Optometry or Podiatric Medicine.

An additional \$12,500 for a nine-month academic year, or an additional \$16,667 for a 12-month academic year applies to students pursuing the following: Master of Science in Pharmacy (also fourth- and fifth-year bachelor's and some doctoral students), graduate in Public Health, Doctor of Chiropractic, doctorate in Clinical Psychology or master's or doctorate in Health Administration.

Aggregate Stafford loan limit for the preceding examples may not exceed \$189,125.

(continued on page 4)

FEDERAL STAFFORD LOAN – ANNUAL LIMITS

ACADEMIC YEAR	BASE SUBSIDIZED & UNSUBSIDIZED (ALL STUDENTS)	ADDITIONAL UNSUBSIDIZED (INDEPENDENT STUDENTS)	MAXIMUM SUBSIDIZED & UNSUBSIDIZED	ESTIMATED MONTHLY PAYMENT ON MAXIMUM*	ESTIMATED TOTAL PAYMENT AMOUNT (OVER 10 YEARS)*
First Year	\$2,625	\$4,000	\$6,625	\$76	\$9,150
After 7/1/07	\$3,500	\$4,000	\$7,500	\$86	\$10,359
Second Year	\$3,500	\$4,000	\$7,500	\$86	\$10,359
After 7/1/07	\$4,500	\$4,000	\$8,500	\$98	\$11,740
Third & Thereafter	\$5,500	\$5,000	\$10,500	\$121	\$14,503
Graduate/Professional	\$8,500	\$10,000	\$18,500	\$205	\$24,642
After 7/1/07	\$8,500	\$12,000	\$20,500	\$236	\$28,315

FEDERAL STAFFORD LOAN – AGGREGATE LIMITS

DEPENDENCY STATUS	MAXIMUM SUBSIDIZED & UNSUBSIDIZED	ESTIMATED MONTHLY PAYMENT ON MAXIMUM*	ESTIMATED TOTAL PAYMENT AMOUNT (OVER 10 YEARS)*
Dependent Undergraduate	\$23,000	\$265	\$31,768
Independent Undergraduate	\$46,000	\$529	\$63,535
Graduate/Professional	\$138,500**	\$1,594	\$191,296

*Assumes 6.8 percent interest

**No more than \$65,500 may be from the subsidized Stafford loan program

(continued from page 3)

Annual and Aggregate Loan Limits

An **annual** loan limit is the maximum amount of a Stafford loan that a student may borrow for a single academic year. An **aggregate** loan limit is the maximum allowable unpaid principal amount a student may borrow for their academic career.

FEDERAL PERKINS LOANS

Students with financial need who are enrolled at participating schools can derive significant benefit from a Perkins loan, which features 0 percent interest during school, a 5 percent rate after school and a grace period of up to nine months. A Perkins loan is campus-based, with the school serving as the lender. Loan amounts, which are contingent on the availability of funds at your institution, can be up to \$6,000 per year for graduate students.

LOW INTEREST RATES

Interest rates on student loans are typically lower than those involving other types of credit. Clearly, you'll pay less interest funding your textbooks with a student loan than you would if you paid by credit card. For Stafford loans disbursed prior to July 1, 2006, the interest rate is variable and adjusted annually. For loans with a first disbursement on or after July 1, 2006, the interest rate is fixed at 6.8 percent.

PLUS LOANS FOR GRADUATE AND PROFESSIONAL STUDENTS

- You may apply for a PLUS loan after you apply for the maximum annual amounts you qualify for in federal subsidized and unsubsidized Stafford loans and your school determines your eligibility.
- You may borrow up to the total cost of your education, minus the amount of any financial aid you receive.
- You must be a U.S. citizen or an eligible noncitizen, and have a valid Social Security number.
- You must not be in default on a federal loan, nor be liable for a grant or federal Perkins loan overpayment.
- You must meet credit eligibility requirements.



If you qualify for the Graduate PLUS loan through the FFEL Program, the interest rate is fixed at 8.5 percent—and begins to accrue the day funds are released. Repayment commences within 60 days after the loan has been fully disbursed. Students who are enrolled in school at least half time are eligible for an in-school deferment (see page 10). Once a Graduate PLUS loan borrower begins repayment, they can expect their monthly payments to be \$12.40 per month for every thousand dollars.

ALL FEDERAL LOANS

Borrowers must maintain Satisfactory Academic Progress to remain eligible for any federal loan. Borrowers who withdraw early may become ineligible for funds they have already received, which then must be returned. For more information, contact your financial aid administrator.

PRIVATE LOANS

Private loans are available to students who must borrow additional funds. Reasons for obtaining a private loan may include, but are not limited to:

- Your financial situation requires additional borrowing above what the federal, state or institution has offered (up to the cost of attendance minus financial aid received)
- You are enrolled less than half time (some lenders will allow private loans to students who are not enrolled at least half-time)
- You are an international student or otherwise ineligible to receive federal, state or institutional aid
- You choose to receive a private loan instead of federal, state or institutional assistance

Talk with your Financial Aid Office to find out about possible lenders.

Understand Your Rights & Responsibilities as a Borrower!

Take this quiz to find out how your loan savvy stacks up.

1 I don't have to pay back my student loan if I can't find a job when I leave school.

T/F

2 Before I leave school or drop below half-time enrollment, I must complete student loan exit counseling.

T/F

3 I must notify my lender or current loan holder within 10 days if I drop below half-time status, withdraw from school or transfer to another institution.

T/F

4 After leaving school, I am required to make monthly payments on my loan unless I am granted a forbearance or deferment.

T/F

5 I have the right to receive a disclosure statement—including interest rates, fees, loan balance, and size and number of payments—before the loan repayment term begins.

T/F

6 My borrower's rights also include the freedom to prepay all or part of my loans without any prepayment penalty.

T/F

7 I will be issued a deferment—temporary postponement of my loan payments—if I am eligible for it, apply for it and receive verification of acceptance.

T/F

8 If I ever have trouble making my student loan payments, I should first call my lender.

T/F

9 A Master Promissory Note (MPN) is a legal document that reflects my promise to repay my student loan.

T/F

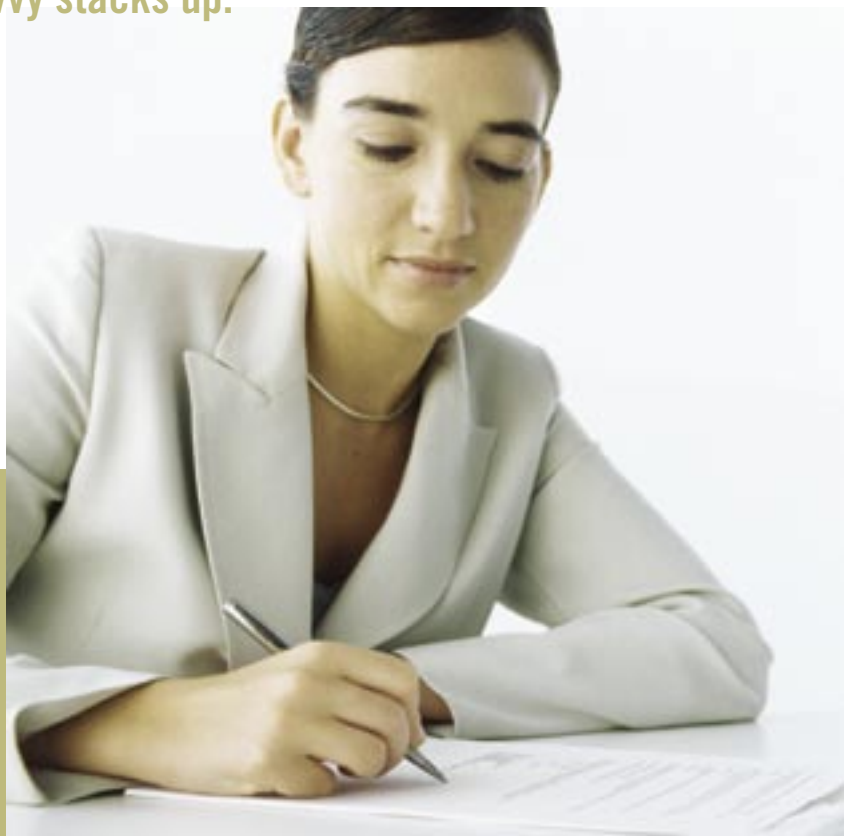
10 I need to complete a new MPN if I change lenders.

T/F

For a full listing of your borrower rights and responsibilities, see page 15.

ANSWERS

1. F 2. T 3. T 4. T 5. T
6. T 7. T 8. T 9. T 10. T





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he lender. The servicer. The guarantor. Who are all these people? To help you navigate your way through the maze of players in the FFEL Program loan process, here's a bit of background on each one.

FINANCIAL AID COUNSELOR

The financial aid counselor/administrator is your on-campus source for information on student loans and other forms of financial assistance. This individual's primary role is to guide students and parents through the financial aid process.

FEDERAL GOVERNMENT

The federal government provides guidelines for the FFEL Program, which is overseen by the Education Department.

GUARANTOR

Also called the guaranty agency, the guarantor is a private nonprofit or state agency that conveys to the lender the federal government's promise that the student loans will be repaid. The guarantor keeps a record of all loans under its jurisdiction and may also collect on defaulted loans. The guarantor also assists the lender in contacting delinquent borrowers in an effort to counsel the borrower on their repayment options.

LENDER

The lender is the source of the money you borrow—a bank, savings and loan or credit union. The lender can choose to keep the loan until it is paid in full, contract with a servicer to handle the paperwork or sell it to a secondary market. Since different lenders manage loans in different ways, it is recommended that you borrow from a single lender. It is also important to notify your lender/servicer in a timely manner of changes to your address, phone number or any other pertinent information.

SERVICER

The servicer is an entity hired by the lender or secondary market to track and collect loan payments and to process information on details such as address changes, deferments and billing.

SECONDARY MARKET

Secondary market refers to private companies that purchase student loans from originating lenders. The sale of a loan does not alter its terms.

FEATURE

Who's Who in the FFEL Program Loan Process

OMBUDSMAN

An ombudsman resolves disputes from a neutral or impartial viewpoint, and can be beneficial if you cannot resolve a student loan problem by employing standard procedures. The Ombudsman's office toll-free phone number is 877.557.2575; its Web site is: www.ombudsman.ed.gov.

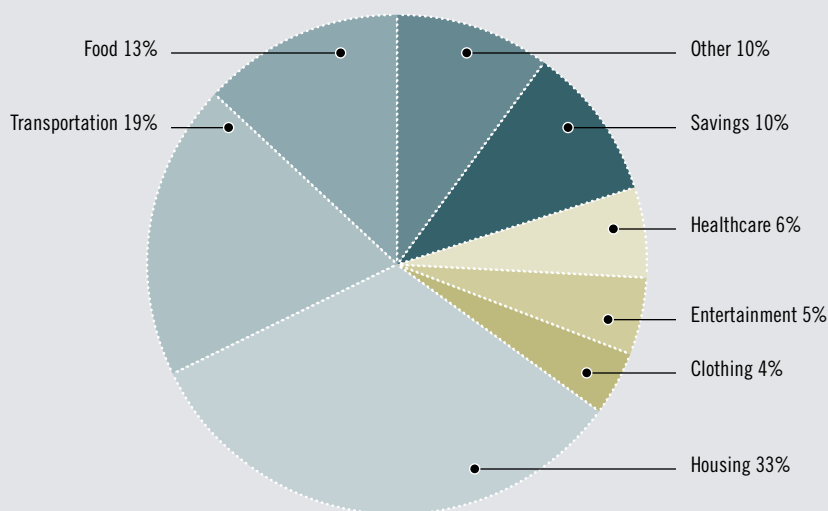
NSLDS

The National Student Loan Data System (NSLDS) is the Education Department's main database for student financial aid records. NSLDS provides a centralized, integrated view of your federal Title IV education loans and grants, tracking from when they're approved until they are paid off. The NSLDS Web site is www.nsls.ed.gov.

CREDIT REPORTING AGENCIES

These agencies maintain your credit history, which reflects how well you repay your student loans, credit cards, car loans or any other credit you may have. Based on your performance, you are given a score that provides future creditors with information on whether or not you are considered a credit risk. Your credit history plays a big part in your future, because it is checked whenever you rent an apartment, buy a vehicle or apply for certain types of employment. Failure to pay back your student loan promptly will impact your credit rating negatively. To receive a free copy of your credit report from each of the three agencies, visit www.annualcreditreport.com.

How much can you afford to borrow?



According to the Bureau of Labor Statistics, the above chart illustrates the average person's after-tax expenses

BEFORE YOU BORROW MONEY for your education, it's critical to know how much you can comfortably afford to pay back each month. Borrowing conservatively, budgeting wisely and planning ahead all combine to help make repayment as stress free as possible. Use this worksheet to calculate your income and expenses.

	ESTIMATED MONTHLY TOTAL	ESTIMATED YEARLY TOTAL
INCOME
SPOUSE'S INCOME
OTHER
TOTAL INCOME
Expenses	ESTIMATED MONTHLY TOTAL	ESTIMATED YEARLY TOTAL
TUITION/FEES
BOOKS/SUPPLIES
RENT/UTILITIES
CELL PHONE
CABLE/INTERNET
CHILDCARE
TRANSPORTATION
FOOD
CLOTHING/LAUNDRY
ENTERTAINMENT
CREDIT CARD PAYMENT
MEDICAL/DENTAL
MISCELLANEOUS
TOTAL EXPENSES
Total income less expenses	<input type="text"/>	<input type="text"/>

If your expenses are greater than your income, consider options for reducing them before borrowing a student loan. A consumer credit counselor may be able to help or you can check out the expense-cutting tips on EdWise, the online financial planning guide at www.edwise.org.



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raduation represents a new era of opportunity: pursuing a career, enhancing personal independence and establishing a professional reputation.

It also affords the chance for you to start building a solid credit history that will help define the course of your life. Prompt and timely repayment of your student loan is the first step in this process.

THE GRACE PERIOD

After you graduate, leave school or drop below half-time enrollment, you are entitled to one grace period. During this time—which is typically six or nine months, depending on the type of student loan you receive—you are not expected to make payments.

The interest on subsidized loans is paid by the federal government during your grace period. On unsubsidized loans, you are responsible for the interest. The unpaid interest is capitalized—added to the loan principal—at the time of repayment. Repayment begins the day after your grace period ends; your first payment is due within 60 days.

REPAYMENT OPTIONS

Repaying Your Student Loan

REPAYMENT PLANS

Several options are available for repayment of your student loan, allowing you to choose the one that best meets your financial needs. If you prefer to switch to another plan, you can do so on an annual basis by contacting your lender.

Standard Repayment

- Fixed (substantially equal) monthly payment amounts are paid over a specific period of time.
- Your monthly payment must be at least \$50.
- The payment amount may be adjusted to reflect annual changes in the variable interest rate.
- The repayment term cannot exceed 10 years, excluding in-school, grace and deferment or forbearance periods.

Graduated Repayment

- Payments are smaller at the beginning of the repayment period and gradually increase over time.

“The future belongs to those who believe in the beauty of their dreams.” Eleanor Roosevelt



LOAN CONSOLIDATION

A Consolidation loan allows you to combine any or all of your outstanding federal student loans into a single new one. With a Consolidation loan comes new terms and conditions. To determine if consolidation is right for you, consider the various loan provisions—including interest subsidy, deferment, forbearance, forgiveness and cancellation.

- No single payment may be more than three times greater than any other payment.
- The payment amount may be adjusted to reflect annual changes in the variable interest rate (on those loans disbursed before July 1, 2006).
- The repayment term is generally 10 years.
- Payment must cover at least the interest due.

Income-Sensitive Repayment

- Payments are adjusted annually based on your monthly gross income.
- The payment amount must cover at least the interest due.
- The repayment term varies based upon your income, the percentage you request and the loan amount.

Extended Repayment

- The extended repayment schedule is limited to “new borrowers,” those with loans disbursed on or after October 7, 1998, with an outstanding balance of principal and interest in FFEL Program loans totaling more than \$30,000. The lender may schedule the borrower for standard or graduated installments over a period not to exceed 25 years.
- Payment must cover at least the interest due.

Loan consolidations are available through both the Federal Family Education Loan Program and the Federal Direct Loan Program. To qualify, you must:

- Have no other consolidation application pending or in process with another lender.
- Be a borrower in good standing or have defaulted and will re-enter repayment through consolidation.

CANCELLATION

Any time you decide you don’t want or need all or part of your loan, you can contact your school or lender to request cancellation. Even if you have already received funds, you can return the money within 120 days without having to pay interest or fees. After the 120-day period, this will be handled as a pre-payment.

REPAYMENT INCENTIVES

Many lenders will offer repayment incentives which can save you hundreds—even thousands—of dollars. Read the fine print carefully to determine if you will qualify for the incentives offered. An example of these benefits include:

- A 0.25 percent interest rate reduction for using automatic bill-pay.
- An additional 1 percent interest rate reduction after 36 consecutive on-time monthly payments.
- A one-time 3.33 percent principal reduction for 30 initial on-time monthly payments.

To figure the **monthly interest** you will be accruing on your student loans while in school, follow the chart below

If your interest rate is:

4.7% multiply \$ _____ by .00392 = \$ _____ per month
(student loan amount)

5.3% multiply \$ _____ by .00442 = \$ _____ per month
(student loan amount)

6.8% multiply \$ _____ by .00567 = \$ _____ per month
(student loan amount)

8.25% multiply \$ _____ by .00688 = \$ _____ per month
(student loan amount)

You will not accrue interest on subsidized loans during in-school, grace and deferment periods.

CASE	TOTAL PRINCIPAL AT REPAYMENT	MONTHLY PAYMENT	NUMBER OF PAYMENTS	INTEREST PAID	TOTAL AMOUNT REPAYED
Jack	\$ 4,000.00	\$ 50.00	107	\$ 1,346.00	\$ 6,571.00*
Kate	\$ 5,225.00	\$ 60.14	120	\$ 1,991.00	\$ 7,216.00
				Savings:	\$ 645.00

*Includes original \$ 1,225 paid during school

CAPITALIZATION

Capitalization is a process whereby the unpaid interest on your student loan is added to the principal, resulting in a higher loan balance and the possibility of a higher monthly payment. To avoid capitalization, look into the option of making interest-only payments on your unsubsidized loan while you’re still in school.

To illustrate capitalization, let’s use the example of two students, Jack and Kate. Both have \$4,000 in unsubsidized Stafford loans at 6.8 percent interest and have opted for a standard repayment plan. Both attended school for four years and had a six-month grace period on their loans. Jack paid the interest—totaling \$1,225—while he was still in school. Kate made no payments, so the total accrued interest of \$1,225 was capitalized at the time repayment began. By avoiding capitalization, Jack saved \$645 on the total amount of his repayment—enough money to cover a month’s rent or a car payment and a month of auto insurance.



AVOID LATE PAYMENTS

It Will Impact Your Credit

- you will lose your eligibility for any additional federal student financial aid,
 - your payments may increase, further straining your ability to repay, and
 - you will lose the options of deferment and forbearance.
- If you received a student loan prior to July 1, 1993, additional factors may constitute eligibility for deferment—a graduate fellowship, military duty, parental leave and more. Talk to your lender for details.

It's easier than you might think. What's more, it will save you considerable headaches and eliminate negative consequences when applying for other forms of credit in the future.

FAST FACTS TO HELP KEEP YOUR LOAN PAYMENTS ON TRACK

- On-time repayment of your student loan is a great way to develop a good credit history, which follows you wherever you go and whatever you do.
- Delinquent payments are reported to a national credit reporting agency and will damage your credit report, reflect poorly in your credit score and hinder your future ability to borrow.
- Your lender or guarantor can provide you with repayment options if you're having difficulty making payments.
- If you default on your student loan:
 - you lose the privilege of monthly payments and the full amount of your loan becomes immediately due and payable,
 - your wages and/or your entire tax refund may be garnished,
 - collection charges and attorney fees may be assessed, increasing the loan payoff amount,

Deferment

- A deferment is the temporary postponement of payments on your student loan.
- Your lender or guarantor can advise you on your deferment eligibility status.
- Primary reasons and time considerations for deferment include:
 - returning to school at least half time (unlimited periods),
 - unemployment (six-month period with a maximum of three years), and
 - economic hardship (12-month period with a maximum of three years),
 - Active duty during war, national emergency or military operation.
- Deferments are not automatic; you must apply for one and receive approval from your lender.
- When subsidized loans are deferred, the principal payments are postponed and the interest is billed to the federal government.
- When unsubsidized loans are deferred, the principal payments are postponed, but you accrue interest which will then be capitalized at the end of the deferment period.

Forbearance

- Forbearance is the temporary cessation or reduction of principal payments on your student loan.
- You are still responsible for all accrued interest during the forbearance period.
- If you do not qualify for a deferment, but are having a hard time repaying your student loan, you may be eligible for forbearance.
- Common reasons for forbearance include:
 - poor health,
 - a rigorous residency program, or
 - a loan payment that exceeds 20 percent of your total monthly gross income
- Forbearance is allowed at the discretion of the lender.
- Forbearance often results in an extended repayment period.

Loan Cancellation

- A loan may be cancelled under extreme circumstances:
 - permanent and total disability,
 - inability to complete a course of study because your school closes if certain conditions prevail,
 - eligibility falsely certified by your school, or
 - death.

Starting out with a sound money management plan will help ensure a solid financial

“An investment in knowledge always pays the best interest.” Benjamin Franklin

Money Management Tips



HOW A \$50 PURCHASE COSTS \$95.21

Cutting costs is less work than working to repay student loan dollars. Suppose federal and state income tax rates are 19 percent and sales tax is 7 percent. If you want to buy a \$50 item, it will cost \$53.50 with sales tax. The interest on \$53.50 in student loans is about \$23.62* (\$77.12 total). To earn \$77.12, your pre-tax earnings must be \$95.21 (assuming a 19 percent income tax rate).

*10-year term at 8.25 percent.

MAKING THE MINIMUM PAYMENT

Credit cards often require us to make a minimum payment of only 4 percent of our outstanding balance. Is this a good routine to get into? Let's see what happens when only making the minimum payment each month.

TOTAL BALANCE	TOTAL INTEREST PAID	NUMBER OF YEARS IT WILL TAKE TO REPAY
\$ 2,000	\$ 847	8 years, 9 months
\$ 5,000	\$ 2,211	11 years, 6 months
\$ 10,000	\$ 4,483	13 years, 7 months

* Assumes 15 percent interest rate and minimum payment of 4 percent of the principal balance, but not less than \$10.

WHAT DO GRAD STUDENTS WISH FOR?

The Graduate Management Admission Council asked MBA graduates what they wished they would have learned while in school. Their answers were:

- How to prepare a budget – 28 percent
- How to develop a strategic plan – 31 percent
- How to manage their career – 31 percent

Even if you're not an MBA student, you can probably benefit from preparing a budget, setting goals and learning the tools to manage your career effectively.

STUDENT LOAN DEBT	ANNUAL INCOME	MORTGAGE
\$ 20,000 or less	\$ 40,000	\$ 155,600
\$ 30,000	\$ 40,000	\$ 142,500
\$ 40,000	\$ 40,000	\$ 123,400
\$ 50,000	\$ 40,000	\$ 104,200
\$ 75,000	\$ 40,000	\$ 56,200

*Assumes a 6.8 percent student loan rate and 10-year repayment term. Mortgage repayment from Bankrate.com "How much house can you afford?" calculator, using a 6 percent mortgage for 30 years.

IMPACT OF STUDENT LOANS ON BUYING A HOME

Suppose someone earns \$40,000 a year at her new job. Student loan debt can have a sizeable impact on the type of home that can be purchased. The chart above shows the approximate mortgage a borrower would qualify for—assuming no other debt (car, credit card, etc.).

The moral: Plan ahead so that you don't borrow too much when applying for student loans.

CLOTHING BUDGET

The Bureau of Labor Statistics estimates that the average American spends about \$1,800 on clothes each year. That's \$150 a month! \$150 could make the payments on a \$12,000 student loan. Some ways to save on clothing expenses include buying:

- clothes that do not need to be dry cleaned,
- at thrift stores—you'd be surprised at the quality clothing that is available,
- clothes on sale or clearance, and
- items that can easily be mixed to match with other clothes.



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future. It is never too early to consider various savings, retirement and investment options. Take a moment to familiarize yourself with some facts about credit, credit cards and credit reports. Managing these basics will help you prepare to take advantage of future financial planning strategies.

FREE CREDIT REPORTS

Curious about what's on your credit report? Find out by visiting www.annualcreditreport.com. All consumers are entitled to one free credit report from each of the three major credit reporting agencies annually. You can order all three reports at one time or you can order a report from a different credit reporting agency once every four months.

Review your credit report to ensure the data is accurate. If you find erroneous data on your report, visit the credit reporting agency's Web site to learn more about disputing errors.

By reviewing your credit report you'll see what future lenders see. If you find late payments or other negative marks, you may be living beyond your means. Take a little time to make a budget. You can improve your credit by making on-time payments and resolving issues with your creditors.

Despite prevailing practice in America, carrying a lot of credit card debt just doesn't make sense. Credit cards typically feature high interest rates, a short grace period and cash advance fees. They often lead to impulse purchases and emotional spending—

SPECIAL

Money Management

both of which can cause your debt to spiral out of control. What's more, if your financial situation requires you to make only minimum monthly payments, it can take a long time to pay off the principal.

REDUCING UNWANTED OFFERS

Did you know that about five billion credit card offers are sent throughout the nation annually? Are you getting too much junk mail and too many telemarketing calls? Here's a free and easy way to reduce unwanted offers.

Visit the Web site, www.optoutprescreen.com or call toll free, 1.888.5.OPTOUT, to remove your name from pre-approved credit card offers.

Enjoy fewer interruptions during dinner by removing your phone number from telemarketing lists. Visit the National Do Not Call Registry Web site, www.donotcall.gov.



“History will be kind to me
for I intend to write it.” Sir Winston Churchill

CREDIT CARD TRAPS

The world of credit cards can be a minefield—especially the fine print. This sample of fine print, taken directly from a popular credit card offer, shows how confusing it can be:

Cash Advance Fees

All cash advances: 3% of the amount of the advance, but not less than \$10.00.

- ▶ **Translation:** You will pay 50% on a \$20 advance or 10% on a \$100 advance.

2.9% Fixed Interest Rate

You understand that the terms of your account, including the APRs (Annual Percentage Rates), are subject to change.

- ▶ **Translation:** Your rate will increase and it is not fixed at all.

Selling Additional Products

We may share information about you among our affiliates in order to offer products and services of interest.

- ▶ **Translation:** Your name and address will be sold and you'll receive more junk mail and telemarketing calls.

Method of Computing the Balance for Purchases

Two-cycle average daily balance method (including new purchases).

- ▶ **Translation:** If you have a balance, the bank will include charges from both the prior month and current month to compute the average daily balance against which interest will be charged.

Default Rates

Your APR may increase if you fail to make a payment to us or any other creditor when due.

- ▶ **Translation:** You may pay on time faithfully, but if you miss a payment on another loan, your interest rate will increase significantly.

IDENTITY THEFT

College students are a prime target for identity theft. Ways that you can reduce the risk of becoming a victim include:

- Check your credit report often.
- Reduce credit card offers mailed to you.
- Mail and receive documents from a locked mailbox.
- Limit the use of your Social Security number.
- Shred discarded documents and pre-approved offers.
- Do not give out your Social Security number, bank account or other personal information over the telephone or Internet unless you have initiated the contact.

If you become a victim, you should immediately place a fraud alert on your credit file by contacting one of the credit reporting agencies. Once the alert is on your file, request a free copy of your credit report from each credit reporting agency.

Report fraudulent activity in writing to both a credit reporting agency and your credit issuer, following the instructions on your credit report. Also, report this to your local police or sheriff's department right away. Many victims feel the true impact of identity theft as they apply for credit when buying a car or a house. Take proactive steps; don't let this happen to you.

PRIVATE LOANS

Terms:

- **Amortization:** To pay off.
- **Capitalization:** Adds accrued interest into the loan balance and then calculates interest based on the new, higher loan balance amount.
- **Negative amortization:** “Negative payoff” or to increase the loan balance by not paying at least the interest due.
- **Origination fee:** A fee to originate (or start) the loan.
- **Term:** Number of years to pay back the loan, with interest.



- **Co-signer:** a person who agrees to be responsible for monthly loan payments if you do not make the loan payment. Both you and your co-signer's credit will suffer if you do not make monthly payments on your loan.

(continued on page 14)

Finding the best deal on private loans

Which is a better deal: a 1 percent rate discount or a 1 percent fee discount? On a \$10,000 loan, a 1 percent fee discount would save you \$100. A 1 percent rate discount (from 6 percent to 5 percent) would save you \$595 over a 10-year term. In most cases, you'll save more money by choosing a lower interest rate over lower fees.

Determine the term (the number of years) of the loan you need. Then sort the loan choices from the lowest to highest interest rates. Typically, the interest rate makes up the majority of your borrowing costs. Fees make up a smaller amount of the total overall costs.

Because private loans are credit based, lenders will check your credit report. If you have excellent credit, the loans with the lowest interest rates are your best opportunity. If you have average credit, the loans in the middle may be your options. For those with poor credit, consider rehabilitating your credit (by paying bills on time and reducing debt) or you are limited to the loans with the higher interest rates. Using this method will save you time researching the best deal. You'll also be applying for loans that lenders are most likely to approve for your situation.

INTEREST RATE	FEES	TOTAL FEES	TOTAL DISBURSED PER \$10,000 BORROWED	LOAN PERIOD IN MONTHS	MONTHLY PAYMENT	TOTAL INTEREST AND FEES	TOTAL REPAID	AMOUNT REPAID PER \$1 DISBURSED	
7.25%	0.00%	\$0	\$10,000	180	\$91	\$6,432	\$16,432	\$1.64	excellent credit
7.30%	0.00%	\$0	\$10,000	180	\$92	\$6,482	\$16,482	\$1.65	
7.80%	3.00%	\$300	\$9,700	180	\$94	\$7,295	\$16,995	\$1.75	
8.75%	0.00%	\$0	\$10,000	180	\$100	\$7,990	\$17,990	\$1.80	
8.75%	2.00%	\$200	\$9,800	180	\$100	\$8,190	\$17,990	\$1.84	
8.75%	5.00%	\$500	\$9,500	180	\$100	\$8,490	\$17,990	\$1.89	good credit
8.75%	7.00%	\$700	\$9,300	180	\$100	\$8,690	\$17,990	\$1.93	
9.65%	6.00%	\$600	\$9,400	180	\$105	\$9,559	\$18,959	\$2.02	
10.25%	6.00%	\$600	\$9,400	180	\$109	\$10,219	\$19,619	\$2.09	
10.55%	0.00%	\$0	\$10,000	180	\$111	\$9,953	\$19,953	\$2.00	poor credit
10.75%	11.50%	\$1,150	\$8,850	180	\$112	\$11,327	\$20,177	\$2.28	
11.75%	0.00%	\$0	\$10,000	180	\$118	\$11,314	\$21,314	\$2.13	
11.75%	5.00%	\$500	\$9,500	180	\$118	\$11,814	\$21,314	\$2.24	
11.80%	0.00%	\$0	\$10,000	180	\$119	\$11,372	\$21,372	\$2.14	
16.75%	9.00%	\$900	\$9,100	180	\$152	\$18,284	\$27,384	\$3.01	

Loan amounts are based on \$10,000 and a 15-year (180 months) repayment period. Some lenders will charge origination fees, back-end fees and other fees which may reduce your net disbursement. Monthly payment is rounded to the nearest dollar.

“Education is the best provision for the journey to old age.” Aristotle



YOUR RIGHTS AND RESPONSIBILITIES AS A BORROWER

When you accept a loan, you accept legal and financial responsibilities that last until the loan is repaid. Here's a checklist of your responsibilities, as well as your rights as a borrower.

When you accept a student loan, you agree to:

- repay your loan(s), including accrued interest and fees, whether or not you complete your education, obtain employment or are satisfied with your education,
- attend exit counseling before you leave school or drop below half-time enrollment,
- notify your lender or current holder of your loan within ten days if you change your name, address or phone number; drop below half-time status, withdraw from school or transfer or change your graduation date,

- direct all correspondence to the current holder or servicer of your loan,
- make monthly payments on your loan after leaving school, unless you're granted a deferment or forbearance, and
- notify your lender or the current holder of your loan of anything that might change your eligibility for an existing deferment.

You have rights as a student borrower. You have the right to:

- receive a copy of your promissory note either before or at the time the loan is made,
- receive a disclosure statement before repayment on your loan begins, including information about interest rates, fees, loan balance and the size and number of payments,
- a grace period after you leave school or drop below half-time enrollment and before your loan payments begin,
- prepay all or part of your loans without a prepayment penalty,
- receive written notice if your loan is sold to a new holder,
- apply for deferment of your loan payments for certain specified periods, as long as you're eligible,
- request forbearance from the holder of your loan if you're unable to make payments and don't qualify for deferment. You must qualify according to the loan holder's requirements, and
- receive a proof of discharge when your loan is paid in full.

EdFUND Student Services
P.O. Box 419045
Rancho Cordova, CA 95741-9045
877.2EdFUND
www.edfund.org

Your school's financial aid office phone number and/or e-mail address

Your lender's phone number and/or e-mail address

EdFUND Video Clips:

www.edfund.org, click on "Quick Links," then "EdFUND Video Clips"

EdWISE, the online financial planning guide: www.edwise.org

Ombudsman: 877.557.2575
www.ombudsman.ed.gov

Credit card comparison:
www.bankrate.com

Bureau of Labor Statistics:
www.bls.gov

Free Credit Report:
www.annualcreditreport.com

The following EdFUND publications offer additional information and are available in a PDF version on the EdFUND Web site, www.edfund.org. From the home page, simply click on "Forms and Publications."

- *A Step-by-Step Guide to Loan Consolidation*
- *Calculating Your Payments*
- *Can't Make Your Payments?*
- *Consider Loan Consolidation*
- *Credit Card Management*
- *Guide to Federal Tax Benefits for Tuition and Fees*
- *Loan Repayment*
- *Make the most of your free Credit Report*
- *Private Loans: Get Answers*
- *Resolving Your Defaulted Loan*

GLOSSARY of common loan terms

Accrued Interest: Interest that accumulates on the unpaid principal balance of a loan.

Administrative Forbearance: A temporary suspension, reduction or extension of time for making principal and/or interest payments on your student loan. This is granted by the loan holder or lender. Contact your lender for more information.

Borrower: The person responsible for repaying a loan by virtue of signing and agreeing to loan terms on a promissory note.

Capitalization: Adding accrued interest to the principal balance of a loan rather than paying it as it accrues; future interest is then based on the higher loan amount.

Consolidation: Combining several loans into one by transferring all loans to one lender.

Credit Report: A compilation of information about a consumer's borrowing history, including payments on revolving credit accounts and outstanding balances on existing accounts. Provides lenders with information that helps determine any risk involved in giving a potential borrower credit or a loan.

Default: Failure to make loan payments or otherwise honor a loan's terms. Because default is reported to credit reporting agencies, it can influence future credit and the ability to receive financial aid.

Deferment: A temporary postponement of loan payments that must be approved by the lender.

Delinquency: Failure to make an installment payment when it is due or failure to meet other terms of the promissory note. Delinquency may lead to default.

Disbursement: The release of loan money by the school to the borrower.

Discharge: Releasing a borrower from his or her obligation to pay a loan; usually following the death or permanent and total disability of the borrower, or when the loan has been paid in full.

Disclosure Statement: A statement that reflects the actual costs of the loan— including interest and finance charges —to the borrower.

Expected Family Contribution: Based on a federal formula, it is the portion of your and your family's financial resources that should be available to help pay educational costs.

Federal Default Fee: A federally mandated 1 percent that may be deducted from the borrower's loan amount.

Forbearance: Permission from a lender to temporarily postpone repaying the loan principal; interest continues to accrue, even on subsidized loans; not an option for loans in default.

Grace Period: The short time period after graduation during which the borrower is not required to begin repaying a student loan – six months on Stafford loans and nine months on Perkins loans. There is no grace period on PLUS loans.

Guaranty Agency: The agency that insures against defaulted loans made under the Federal Family Education Loan Program.

Interest: The fee charged to borrowers, by lenders, for using loan money.

Lender: The actual source for borrowed money.

Loan Discharge/Forgiveness: If you meet federally mandated requirements, your federal student loan may be discharged (cancelled), releasing you from all obligation to repay the loan.

Mandatory Administrative Forbearance: Must be granted by the lender for periods during which the borrower is involved in a local or national emergency or military mobilization, or resides in a designated disaster area. Contact your lender for more information.

Mandatory Forbearance: Allows you to temporarily delay principal payments on your student loan for a specific period of time. It must be granted by the lender if you are serving in a medical or dental internship or residency program, or if you are in a national service position such as AmeriCorps.

Master Promissory Note: A written promise to repay a sum of money to the holder of the loan within a specified time period.

Prepayment: Payment on a loan by the borrower sooner than it is due under the terms of the promissory note.

Principal: The original or remaining amount of a loan before interest is added.

Secondary Market: A private lending agency that buys loans from lenders.

Servicer: A company hired by a lender or secondary market to manage the day-to-day details of loan tracking and collection.

Subsidized Interest: Interest paid by the federal government while the borrower is in school, or during grace and deferment periods.

Unsubsidized Interest: Interest paid by the borrower rather than the federal government.

credits

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figure your monthly payment

LOAN AMOUNT (AT TIME OF REPAYMENT)	5.3%			6.8%			7.14%		
	INTEREST ONLY	STANDARD PLAN	TOTAL INTEREST	INTEREST ONLY	STANDARD PLAN	TOTAL INTEREST	INTEREST ONLY	STANDARD PLAN	TOTAL INTEREST
\$1,000	\$4.42	\$10.75*	\$290**	\$5.67	\$11.51*	\$381**	\$5.95	\$11.68*	\$402**
\$2,500	\$11.05	\$26.88*	\$725**	\$14.18	\$28.76*	\$953**	\$14.88	\$29.21*	\$1,005**
\$5,000	\$22.10	\$53.75	\$1,450	\$28.35	\$57.55	\$1,906	\$29.75	\$58.42	\$2,010
\$10,000	\$44.20	\$107	\$2,900	\$56.70	\$115	\$3,812	\$59.50	\$117	\$4,042
\$15,000	\$66.30	\$161	\$4,350	\$85.05	\$172	\$5,718	\$89.25	\$175	\$6,030
\$20,000	\$88.40	\$215	\$5,800	\$112	\$230	\$7,624	\$119	\$234	\$8,039
\$25,000	\$110	\$268	\$7,250	\$141	\$287	\$9,530	\$149	\$292	\$10,050
\$50,000	\$221	\$537	\$14,500	\$283	\$575	\$19,060	\$297	\$584	\$20,099
\$75,000	\$331	\$806	\$21,750	\$425	\$863	\$28,590	\$446	\$876	\$30,148
\$100,000	\$442	\$1,075	\$29,000	\$567	\$1,151	\$38,120	\$595	\$1,168	\$40,197
\$138,500	\$612	\$1,489	\$40,228	\$785	\$1,594	\$52,736	\$824	\$1,618	\$55,673
\$189,125	\$835	\$2,034	\$54,932	\$1,072	\$2,176	\$72,050	\$1,125	\$2,210	\$76,023

LOAN AMOUNT (AT TIME OF REPAYMENT)	8.25%			10%		
	INTEREST ONLY	STANDARD PLAN	TOTAL INTEREST	INTEREST ONLY	STANDARD PLAN	TOTAL INTEREST
\$1,000	\$6.88	\$12.27*	\$472.40**	\$8.33	\$13.21*	\$585.20**
\$2,500	\$17.20	\$30.68*	\$1,181**	\$20.83	\$33.03*	\$1,463**
\$5,000	\$34.40	\$61.35	\$2,362	\$41.65	\$66.05	\$2,926
\$10,000	\$68.80	\$122	\$4,724	\$83.30	\$132	\$5,852
\$15,000	\$103	\$184	\$7,086	\$124	\$198	\$8,778
\$20,000	\$137	\$245	\$9,448	\$166	\$264	\$11,704
\$25,000	\$172	\$306	\$11,810	\$208	\$330	\$14,630
\$50,000	\$344	\$613	\$23,620	\$416	\$660	\$29,260
\$75,000	\$516	\$920	\$35,430	\$624	\$990	\$43,890
\$100,000	\$688	\$1,227	\$47,240	\$833	\$1,321	\$58,520
\$138,500	\$952	\$1,699	\$65,349	\$1,154	\$1,830	\$81,135
\$189,125	\$1,300	\$2,320	\$89,235	\$1,576	\$2,499	\$110,791

* The standard plan has a minimum monthly payment of \$50. This chart shows less for the purpose of adding two amounts together to get the desired loan amount.

** The total interest paid over the life of the loan will drastically reduce when paying the \$50 minimum monthly payment.



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