

STUDENT LOANS.

Learn the basics.

Borrowing funds to help pay for school is more popular than ever. For many students the “free” sources of money such as grants and scholarships aren’t enough to cover the ever increasing cost of attendance at most schools in the United States. If you’ve already taken out a student loan or are thinking of doing so, understanding how the programs work can help make the process less painful and increase the likelihood that you’ll borrow responsibly and be able to repay your loans.

First, complete the Free Application for Federal Student Aid (FAFSA), along with any other paperwork required by your school. The FAFSA is used by your school’s financial aid office to determine your eligibility for grants, scholarships, and student loans. It requires some of the same information as a tax form and must be completed annually. Check with your school to see if you’ll need to provide your parents’ financial information as well. This will get the financial aid process started.

If you do need to apply for student loans, one of the federal student loans that eligible students get are Stafford Loans. Stafford Loans can be either subsidized or unsubsidized. A subsidized Stafford Loan is need-based, and interest that accumulates on the loan while you’re enrolled at least half-time is paid by the federal government. With unsubsidized Stafford Loans, you’ll be responsible for the interest. You can save quite a bit of money over the life of your Stafford Loan if you pay the interest that accumulates while you’re still in school. Most lenders send statements to you a few times a year with the option to pay outstanding interest along with any principal you may want to pay as well.

Here are the limits that you can borrow on Stafford Loans. You should try to apply for as few loans as possible as you’ll be paying them back once you’re out of school. (Some loan limits listed are effective on July 1, 2007. Be sure to check with your financial aid office.)

	Dependent Undergraduate	Independent Undergraduate	Graduate/Professional	Certain Health Professions Students
1st year	\$3,500	\$7,500: No more than \$3,500 of this amount may be in subsidized loans.	\$20,500: No more than \$8,500 of this amount may be in subsidized loans.	\$40,500: No more than \$8,500 of this amount may be in subsidized loans.
2nd year	\$4,500	\$8,500: No more than \$4,500 of this amount may be in subsidized loans.		
3rd, 4th & 5th years (each)	\$5,500	\$10,500: No more than \$5,500 of this amount may be in subsidized loans.		
Maximum total debt from Stafford Loans when you graduate	\$23,000	\$46,000: No more than \$23,000 of this amount may be in subsidized loans.	\$138,500: No more than \$65,500 of this amount may be in subsidized loans.	\$189,125: No more than \$65,500 of this amount may be in subsidized loans.
			The graduate debt limit includes Stafford Loans received for undergraduate study.	The graduate debt limit includes Stafford Loans received for undergraduate study.

MANAGE YOUR STAFFORD LOANS

Proper Stafford Loan management starts with you. Keep track of how much you’re borrowing and from which lenders you’ve borrowed your Stafford Loans. Start a Student Loan file where you keep your prom-

issory notes and other correspondence from your financial aid office and lenders. Stafford Loans are usually set up to repay over a 10-year period. Good recordkeeping on your part will make your repayment experience much easier and less time consuming.

Stafford Loans have consumer-friendly terms and conditions. While you're in school at least half-time (the definition of "half-time enrollment" varies a bit from school to school), no payments are due. Leave school or drop below half-time enrollment status and you'll start your grace period. Stafford Loans have a six-month grace period during which no payments are due. Re-enroll before your six months are used up and your grace period will remain intact. Stay out of school more than six consecutive months and you'll have used up your grace period and you won't get another one. Note that if you re-enroll at least half-time, you'll still qualify for in school deferment. It's a good idea to confirm with your lender/financial aid office to ensure that your deferment is set up and your loans are in good standing.

DEFERMENT AND FORBEARANCE

While you're in school at least half-time you'll qualify for deferment on your Stafford Loans. When you're in a deferment status, the federal government will pay the outstanding interest on your subsidized Stafford Loans. You'll be responsible for the interest on your unsubsidized Stafford Loans. If you're in repayment on your loans and you're having trouble making payments, contact your lender. Your lender is your best source for help. If you're unemployed or fit the definition of economic hardship, you may qualify for a deferment.

If you don't qualify for deferment, inquire about forbearance. Forbearance is granted at your lender's discretion. Borrowers request forbearance for numerous reasons including economic emergencies or family issues (taking time off from work to care for a family member, etc.). To request forbearance, contact your lender. The major point of getting forbearance is to make sure your loans stay current. This will help keep negative information about your

loans off of your credit report. Note that interest will accrue on both subsidized and unsubsidized loans during your forbearance.

KEEP IN TOUCH

The most important strategy to use in managing your Stafford Loans is to keep in touch with your lender. You're responsible for updating your lender with major events in your life such as changing addresses, marriages, etc. Keep in touch with your lender if you're having trouble paying your loans as well. They can help you keep your loans current by processing deferment and forbearance requests. Your lender is there to help, and you'll find your borrowing experience to be much more pleasant if you keep in touch.

A WORD ABOUT OTHER LOANS

You may find that the "free money," Stafford Loans and other types of financial aid you qualify for do not meet your cost of attendance figure determined by your financial aid office. There may be a gap. Graduate/professional students should next consider the Grad PLUS loan. Grad PLUS is a federal loan that requires a credit check. It offers a fixed interest rate of 8.5% and allows borrowers the ability to push off payments during the in school period.

Other students may find it necessary to borrow from private, alternative loan sources. Check with your financial aid office to see what they recommend. Private, alternative loans are typically not as attractive as Stafford Loans, so you'll want to exhaust all of your eligibility for the Stafford Loan and other, less expensive funds before turning to these loans. Careful consideration and comparison of private loans should generally include: interest rate, fees, capitalization policy, and the lender's willingness to grant deferment/forbearance for certain situations (i.e. economic hardship, in school status, etc.), among other things.