EDFUND®
STUDENTS FIRST

Zone In
ON YOUR STUDENT LOANS

VOLUME TWO

FEATURED REPORT

Repay Your Student Loan — Establish Good Credit

EXCLUSIVE

Fast Facts to Help Manage Your Loan Payments

PLUS

Sound Financial Management FAQs

INSIDE
GLOSSARY OF LOAN TERMS

Figure Your Future With EdWise® – Your Personal Online Financial Planning Guide

Financing a college education can be tricky. But with a simple-to-use tool called EdWise, you gain the budgeting skills necessary to help you figure out the most efficient way to manage your finances. With EdWise you can:

- create a college budget
- plan for future borrowing
- anticipate your overall loan debt and make sure you don't overdo it
- discover different ways to save money on your student loans
- check out the various ways to repay your student loan
- plan ahead and estimate your income and expenses when you're out of school

EdWise—your personal online financial planning guide.

Check it out at www.edwise.org.

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IMPORTANT PHONE NUMBERS AND CONTACTS:

EdFund
1.877.2EdFund
www.edfund.org

Federal Student Aid
Information Center
1.800.4.FED.AID
www.ed.gov/offices/OSFAP/Students

Ombudsman
Department of Education
1.877.557.2575
www.sfahelp.ed.gov

Zone In

VOLUME TWO

ON THE COVER:

Megan is a graduate of Anywhere University. During repayment, she notified her lender whenever she changed her address or telephone number. After 48 consecutive on-time payments, she qualified for repayment incentives that saved her money. She continues to maintain a strong credit record and attributes her student loan repayment record for "getting her off on the right foot."

BE SURE TO:

- ☛ Read all your student loan documents.
- ☛ Keep copies of all relevant correspondence.
- ☛ Secure all loan paperwork in a single, safe place.

Mailbag

Dear Editor:

What happens if I lose my job and can't make my student loan payments?

Ty M., Austin, TX

Dear Ty:

If you become unemployed or experience an economic hardship, you may be eligible for deferment—temporary postponement of your loan payments. A deferment is not automatic and must be approved by your lender. For additional information, see "Fast Facts—Avoiding Delinquency and Default" on page 10.

Dear Editor:

If I decide to go back to school, do I still have to make my student loan payments?

Megan G., New Orleans, LA

Dear Megan:

Yes, but while you're attending an eligible school on at least a half-time basis, you can defer the payments until you graduate or drop below half time. Contact your lender for details.

Dear Editor:

What if I'm unable to make my student loan payments but I don't qualify for deferment?

Jan F., Sagamore Hills, OH

Dear Jan:

Contact your lender for help arranging for forbearance—a temporary postponement or reduction in your monthly payment. In many cases, the amount of time to repay your loan can be extended. Interest continues to accrue during the forbearance period. Forbearance may be approved for reasons of poor health, a rigorous residency educational program or a loan payment that exceeds 20 percent of your total monthly gross income.

Dear Editor:

I'm hoping to land a high-paying job in information technology when I graduate. What happens if that doesn't work out?

Marco G., Seattle, WA

Dear Marco:

Your school's placement office might be able to help you find a job after graduation. If you don't get the lofty salary you anticipated and are having trouble repaying your student loan, you should immediately contact your lender for an outline of the options available and to make arrangements for periods of financial distress. To exercise options such as deferment and forbearance, it is important to stay in touch with your lender.

Who's Who

In The FFELP Loan Process

Exchanging the right information with the right people is vital to a successful loan repayment experience—and the start of a healthy credit record.

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

FINANCIAL AID ADMINISTRATOR

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

FEDERAL GOVERNMENT

The federal government provides guidelines for the Federal Family Education Loan Program (FFELP), which is overseen by the U.S. Department of Education.

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 keep your lender/servicer apprised 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.

GUARANTOR

Also called the guaranty agency, the guarantor is a state agency or private nonprofit that conveys to the lender the federal government's promise that student loans will be repaid. The guarantor keeps a record of all loans under its jurisdiction, and may also collect on defaulted loans.

CREDIT BUREAUS

Credit bureaus 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, credit bureaus give you 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 want to rent an apartment, buy a vehicle or apply for certain types of employment. Failure to pay back your student loan promptly can result in a poor credit rating. To receive a copy of your credit report for a nominal fee, contact any of the major credit bureaus:

Experian
888.397.3742
www.experian.com

Equifax
800.685.1111
www.equifax.com

Trans Union
800.916.8800
www.transunion.com

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.

NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

The National Student Loan Data System is a central database for the U.S. Department of Education's student financial aid programs, and it contains a history of all your federal loans. You'll find it online at www.nslds.ed.gov.

SOUND FINANCIAL MANAGEMENT FAQs

Answers to frequently asked questions

Q. Do I have to pay back my student loan even if I drop out of school?

A. Yes. You are legally and financially responsible for completely repaying your student loan whether or not you complete your education, obtain employment or are satisfied with your education.

Q. Am I required to attend student loan exit counseling before I leave school?

A. Yes. Because exit counseling helps you manage your debt, it's required when you end an academic program for any reason.

Q. Why is it so important that I communicate with my lender?

A. Your lender/servicer is responsible for managing the day-to-day details of loan tracking and collection. To keep your loan on track, it is critically important to make sure your lender is apprised of any changes in your personal or academic information. It might surprise you to know that failure to update addresses is one of the leading causes of student loan default.

Q. What kind of information must be reported to my lender?

A. If you change your name, address or phone number; drop below half-time status; withdraw from school; transfer to another institution; move your graduation date; or experience any other change that might impact your eligibility for an existing deferment, you must report the specifics to your lender.

Q. When do I have to start making payments on my student loan?

A. You must start making monthly loan payments when your grace period expires after you graduate or drop below half-time enrollment.

Q. What is a grace period, and how long does it last?

A. A grace period is the short time period after graduation during which you are not required to begin repaying a student loan. The grace period is intended to give you a chance to get settled and prepare for repayment. The duration is six months on Stafford loans and nine months on Perkins loans.

Q. As a student borrower, what kind of written documentation must be made available to me?

A. You have the right to receive a copy of your promissory note either before or at the time the loan is disbursed, a disclosure statement before the loan repayment terms begin, written notice if your loan is sold to a new holder and proof of discharge when your loan is paid in full.

Q. What is a promissory note?

A. A promissory note is a signed legal document that indicates your promise to repay your student loan and formalizes your agreement to abide by its terms and conditions. The Stafford Loan Master Promissory Note (MPN) is a contract between you and your lender and is good for either a single or multiple academic years.

Q. What is a disclosure statement?

A. A disclosure statement is an estimate of the actual cost of your loan and includes interest rates, fees, loan balance and the size and number of payments. Due to the variable nature of interest rates and your individual circumstances, the actual cost of the loan may change.

Q. Can I prepay my student loan?

A. Yes, you have the freedom to prepay all or part of your loans without penalty.

Q. Can I change my repayment plan?

A. Once a year, you may contact your lender to change your repayment plan. For more information, take a look at "Repaying Your Student Loan" on page 4. If you would like to change your plan or if you need additional details, contact your lender.

School is behind you. Now it's time to get down to business.

Establish Good Credit— Repay Your Student Loan

Paying your student loan on time affords the chance for you to start building a solid credit history that will help define the course of your life.

Prompt repayment of your student loan is one of the first steps in this process. Your loan is real money with real consequences for non-payment, and it's an obligation that must be taken seriously. Repaying your student loan on time and as promised is the beginning of a responsible and rewarding future.

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.

Monthly payments begin the day after your grace period ends; your first payment is due within 60 days.

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 wish to change the terms of your loan, you may ask your lender for a graduated repayment, income-sensitive repayment, extended repayment plan or consolidation loan. The lender must allow you to change the terms of your loan at least once a year.

STANDARD REPAYMENT

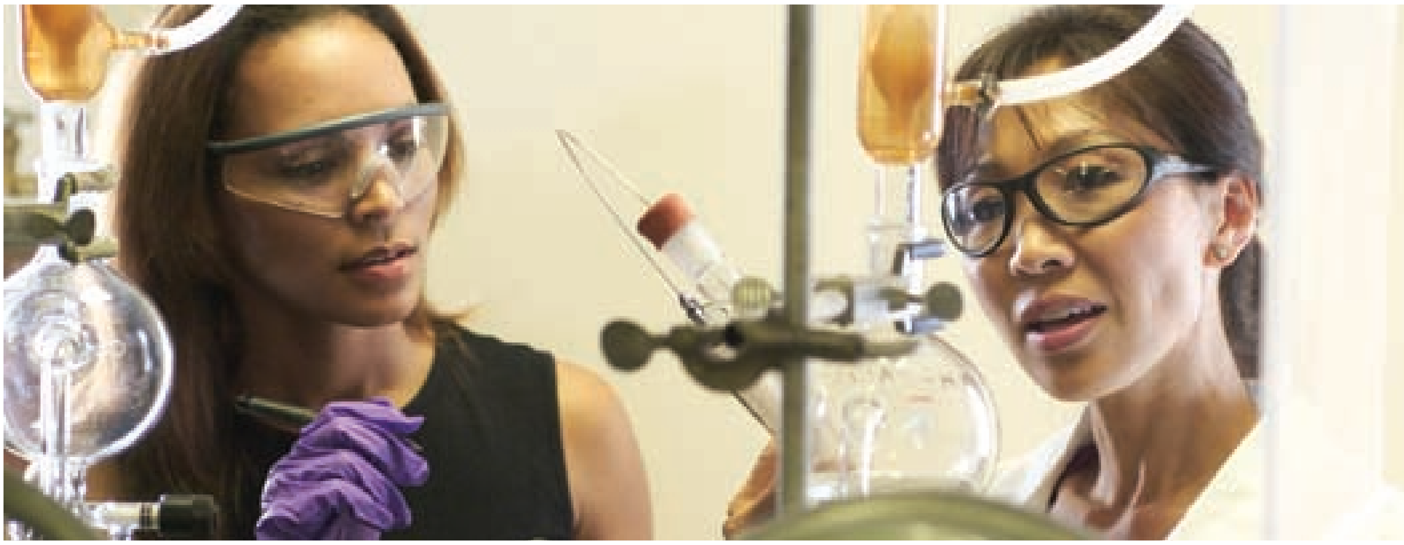
- Fixed (substantially equal) monthly payment amounts are paid over a specific period of time.
- Your monthly payment must be at least $50.
- The payment amount may be adjusted to reflect annual changes in the variable interest rate.
- The repayment term cannot exceed 10 years, excluding in-school, grace,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

Loan Amount	Monthly Payment	Total Paid* (Loan + Interest)
$ 10,000.00	$ 122.65	$ 14,718.32
$ 50,000.00	$ 613.26	$ 73,591.58

* *A subsidized Stafford loan repaid at 8.25 percent interest, assuming the standard repayment plan of 10 years, or 120 payments*

GRADUATED REPAYMENT

- Payments are smaller at the beginning of the repayment period and gradually increase over time.
- No single payment can 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.
- The repayment term is generally 10 years.
- Payment must cover at least the interest due.



Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Paid* (Loan + Interest)
$10,000.00	$ 68.75	$142.64	$15,343.51
$50,000.00	$343.75	$713.20	$76,717.56

* *A subsidized Stafford loan repaid at 8.25 percent interest, assuming a graduated repayment plan of 10 years, or 120 payments*

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 cannot exceed 10 years.

Loan Amount	Gross Monthly Income	Monthly Payment		Total Paid* (Loan + Interest)
		First 5 years interest only	Remaining 10 years	
$10,000.00	$1,500.00	$ 68.75	$122.65	$18,843.32
$50,000.00	$4,000.00	$343.75	$613.26	$94,216.58

* *A subsidized Stafford loan repaid at 8.25 percent interest, assuming you requested the monthly payment to be based on 4 percent of your gross monthly income*

EXTENDED REPAYMENT

- This option is available only to borrowers whose loans were taken out on or after October 7, 1998, with a FFEL loan balance greater than $30,000.
- You can select either a standard or graduated extended repayment plan.
- The repayment term cannot exceed 25 years.

Loan Amount	Monthly Payment	Years in Repayment	Total Paid* (Loan + Interest)
$50,000.00	$394.23	25	$118,267.52

* *A subsidized Stafford loan repaid at 8.25 percent interest, assuming an extended repayment plan of 25 years, or 300 fixed monthly payments*

LOAN CONSOLIDATION

A consolidation loan allows you to combine any or all of your outstanding federal student loans into a single new one. When you sign a consolidation loan application, you are agreeing to new terms and conditions. To determine if consolidation is right for you, you need to consider the various loan provisions—including interest subsidy, deferment, forbearance, forgiveness and cancellation. Consolidation borrowers have the option of a standard, graduated or income-sensitive repayment plan.

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

- Be in the grace period (for Direct loans, you can still be in school) or already be in repayment
- Have no other consolidation application pending or in process with another lender
- Be a defaulted borrower who will re-enter repayment through consolidation

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 find out when your unpaid interest will be capitalized, contact your lender or servicer.

To illustrate capitalization, let's use the example of two students, Jack and Kate. Both have $4,000 unsubsidized Stafford loans at 8.25 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 $1,485—while he was still in school. Kate made no payments, so the total accrued interest of $1,485 was capitalized at the time repayment began. By avoiding capitalization, Jack saved $761.02 on the total amount of his repayment—enough money to cover a month's rent, a car payment and a month of auto insurance.

Case	Total Principal at Repayment	Monthly Payment	Number of Payments	Interest Paid	Total Amount Repaid
Jack	$ 4,000.00	$ 50.00	117	$ 1,827.31	$ 7,312.31*
Kate	$ 5,485.00	$ 67.27	120	$ 2,588.33	$ 8,073.33
Savings					$ 761.02

* Includes original $ 1,485 paid during school

REPAYMENT INCENTIVES

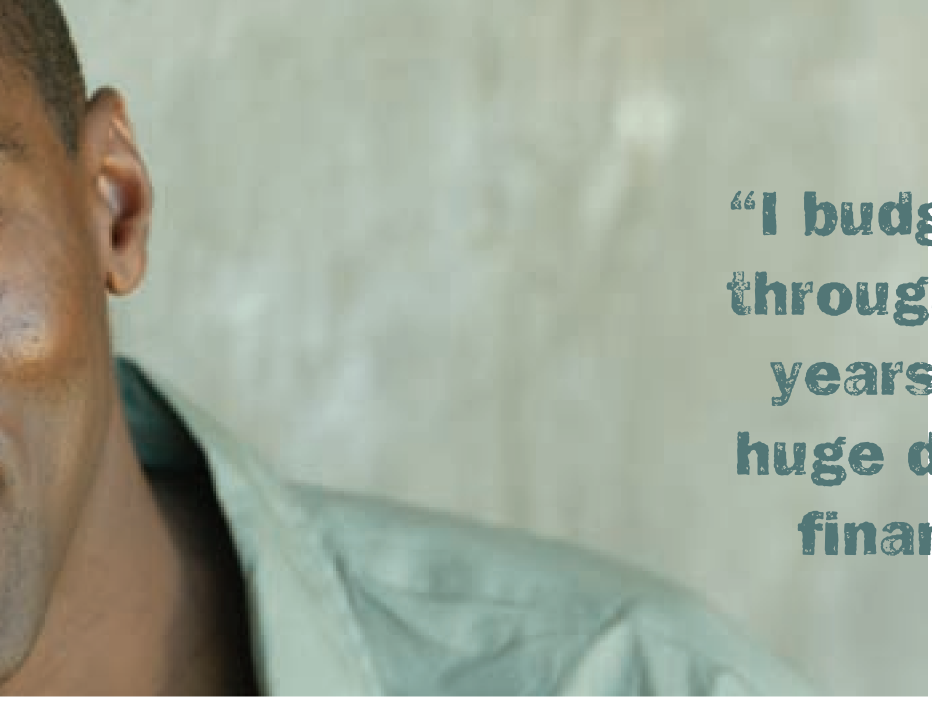
If you demonstrate good repayment behavior—for example, 48 consecutive monthly payments made on time—your lender may offer incentives. Check with your lender to find out about options such as a reduction in your interest rate if your monthly payments are deducted directly from your personal checking account. Such incentives can save you hundreds—even thousands—of dollars.

BUDGETING WISELY

In general, your student loan debt should not be more than 8 percent of your annual salary. The following chart ties income to estimated repayment amounts, demonstrating the amount of debt you may be able to afford based on your income. Use this chart to see if you fit within the recommended 8 percent. If you don't meet these guidelines, you may want to contact your lender to discuss repayment options.

Annual Salary	8% of Salary*	Cumulative Debt
$20,000.00	$133.33	$10,870.54
$25,000.00	$166.66	$13,587.97
$30,000.00	$200.00	$16,306.21
$35,000.00	$233.33	$19,023.65
$40,000.00	$266.66	$21,741.08
$45,000.00	$300.00	$24,459.32
$50,000.00	$333.33	$27,176.75
$55,000.00	$366.66	$29,894.18
$60,000.00	$400.00	$32,612.43
$65,000.00	$433.33	$35,329.86
$70,000.00	$466.66	$38,047.29
$75,000.00	$500.00	$40,765.54
$80,000.00	$533.33	$43,482.97
$85,000.00	$566.66	$46,200.40
$90,000.00	$600.00	$48,918.64
$95,000.00	$633.33	$51,636.07
$100,000.00	$666.66	$54,353.50
$120,000.00	$800.00	$65,224.86
$140,000.00	$933.33	$76,095.40
$160,000.00	$1,066.66	$86,965.93
$200,000.00	$1,333.33	$108,707.82

**Payments are based on a 10-year repayment term and 8.25 percent interest.*



"I budgeted my money throughout my college years and it made a huge difference in my financial picture."

Loan Repayment Chart

Knowing in advance how much your monthly student loan payment will be makes it a lot easier to create a workable budget. As you plan for your financial future, use this chart to determine your loan payment obligations.

FEDERAL STAFFORD LOANS (SUBSIDIZED AND UNSUBSIDIZED[1])							FEDERAL PERKINS LOANS		
INTEREST RATE	7.00%			8.25%			5.00%		
TOTAL AMOUNT BORROWED	NUMBER OF PAYMENTS	MONTHLY PAYMENT	TOTAL INTEREST	NUMBER OF PAYMENTS	MONTHLY PAYMENT	TOTAL INTEREST	NUMBER OF PAYMENTS	MONTHLY PAYMENT	TOTAL INTEREST
$2,000	46	$50	$284	47	$50	$347	56	$40	$247
$2,625	63	$50	$518	65	$50	$643	-	-	-
$4,000	109	$50	$1,404	117	$50	$1,827	120	$42	$1,091
$5,000	120	$58	$1,967	120	$61	$2,359	120	$53	$1,364
$6,625	120	$77	$2,606	120	$81	$3,126	120	$70	$1,807
$8,000	120	$93	$3,146	120	$98	$3,775	120	$85	$2,182
$10,000	120	$116	$3,933	120	$123	$4,718	120	$106	$2,728
$16,000	120	$186	$6,293	120	$196	$7,549	120	$170	$4,365
$20,000	120	$232	$7,866	120	$245	$9,437	120	$212	$5,456
$30,000	120	$348	$11,799	120	$368	$14,155	120	$318	$8,184
$40,000	120	$464	$15,732	120	$491	$18,873	120	$424	$10,911
$50,000	120	$581	$19,665	120	$613	$23,592	-	-	-
$75,000	120	$871	$29,498	120	$920	$35,387	-	-	-
$100,000	120	$1,161	$39,330	120	$1,227	$47,183	-	-	-
$125,000	120	$1,451	$49,163	120	$1,533	$58,979	-	-	-
$138,500	120	$1,608	$54,472	120	$1,699	$65,349	-	-	-

These numbers are accurate to the nearest dollar and are based on a standard 10-year repayment plan. For more detailed information, talk to your lender or current holder of your loan.

[1] Interest rates on most federal Stafford loans are variable and adjusted annually every July 1.

DOs & DON'Ts:

SECRETS OF SUCCESSFUL REPAYMENT

Few questions are scarier than "Where did all the money go?" Learn the secrets to sound financial management.

The sooner you learn how to manage money effectively, the sooner you can avoid the stresses that stem from living beyond your means. It's easy to create a monthly financial plan, and it will help you make the best of your monetary resources.

EdWise helps you establish a budget, develop money-management strategies and explore ways to cut expenses online. Visit www.edwise.org.

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—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 nearly a lifetime to pay off the principal.

TOTAL BALANCE	TOTAL INTEREST PAID*	NUMBER OF YEARS IT WILL TAKE TO REPAY
$2,000	$2,709	21 years, 5 months
$5,000	$7,547	31 years, 3 months
$10,000	$15,612	38 years, 8 months

** Assume 15% interest rate and minimum payment of 2% of the principal balance*

Follow these recommended DOs and DON'Ts. You'll find that the simplest cost-cutting strategies can add up to considerable savings in the long run.

Do

Do ...Contact your lender or current loan holder for repayment information after you leave school.

Do ...Remember that the least expensive method of loan repayment is the standard plan, which establishes a fixed monthly payment for up to 10 years. (See chart on page 7.)

Do ...Set aside some money every month—even as little as $5—to help cover unforeseen expenses.

Do ...Take advantage of EdWise, EdFund's online financial planning guide, to establish a budget, develop money-management strategies and explore ways to cut expenses.

Do ...Look for economic housing options—such as a duplex instead of a luxury apartment—and try to live close to work to save on commuting expenses.

Do ...Factor the cost of owning, insuring and maintaining a car into your budget.

Do ...Use public transportation whenever possible.

Do ...Use only the water you need and turn off unnecessary lights to benefit your wallet and the planet.

Do ...Keep an accurate record of your debt and make paying it off a top priority.

Do ...Look for sales when you shop for clothes and check out discount and outlet stores.

Don't

Don't ...Rent an apartment without considering one or more roommates to cut costs on rent and utilities.

Don't ...Forget to factor electricity, gas, water and trash pick-up into your monthly budget if they're not included in your rent.

Don't ...Use your credit cards frequently or excessively. Cut up and cancel all but one card, and keep it for emergencies. Compare the terms associated with each card to determine which one is best to keep.

Don't ...Spend money on unnecessary food and beverage purchases. Learn to make inexpensive meals—or make friends with someone who loves to cook.

Don't ...Forget to add the cost of laundry and dry cleaning to your budget.

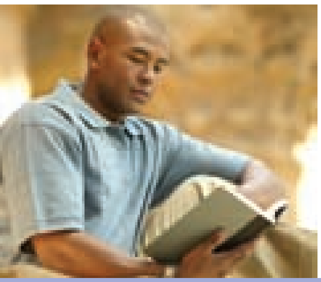
Don't ...Go overboard on entertainment. Buy used music and videos, attend free concerts and visit museums. Keep a record of expenditures to determine if you're spending too much.

Don't ...Skimp on health insurance, even if it's for catastrophic care only. Prepare for unexpected medical and dental expenses and co-payments that aren't covered by insurance.

Don't ...Leave tax planning to chance. Consult with a professional tax preparer or order a copy of Tax Benefits for Higher Education, available from the EdFund Web site at www.edfund.org.

As time goes by, you'll probably think of more items to add to these lists. Figuring out new and creative ways to manage money will help ease your budget and facilitate the transition into this new phase of your life.

Avoiding Delinquency & Default



It's easier than you might think. What's more, it will save you considerable angst and eliminate serious negative consequences.

FAST FACTS TO HELP MANAGE YOUR LOAN PAYMENTS

- On-time repayment of your student loan is critically important. It's also 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 agency and will damage your credit report and your future ability to borrow.
- Your lender or guarantor can provide you with options if you're having difficulty making payments.
- The consequences of defaulting on your student loan can be downright scary:
    - 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
    - You lose your eligibility for any additional federal student financial aid
    - Your payments may increase, further straining your ability to repay
    - You lose the options of deferment and forbearance
    - You may not be eligible for certain federal and state jobs
    - You may lose your professional license

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 six periods)
    - Economic hardship (12-month period with a maximum of three periods)
- Deferments are not automatic; you must apply for one and receive approval from your lender.

Stay in touch with your lender, who is always there to help you keep your loan payments on track and to provide options to solve financial difficulties.

- 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 are responsible for paying the accrued interest.
- 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.

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
    - 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
    - Death

Saving Strategies
And Budgeting Tips

Are you a saver or a spender? Take this quiz to find out—then use our helpful budgeting tips to start living within your means.

Do You...

- ☐ Stop by your favorite coffee shop on your way to work every morning?
- ☐ Insist on having fresh flowers on your desk every day?
- ☐ Drink bottled "designer" water?
- ☐ Eat lunch out regularly?
- ☐ Order dessert?
- ☐ Consider a fun night out to be dinner and a movie?
- ☐ Buy popcorn and soda at the theater?

If so, you're a bona fide spender.

Following are a few easy-to-implement suggestions that can save you about $50 per month:

- ☐ Make coffee at home and fill a thermos to take to work.
- ☐ Use a grocery list when you shop.
- ☐ Don't shop when you're hungry.
- ☐ Clip coupons and buy bulk foods.
- ☐ Combine your errands to save on gas.
- ☐ Bring your lunch to work a few days a week.
- ☐ Leave your credit cards at home.

Feeling up to the challenge?

Here are a few ways to save about $250 per month:

- ☐ Shop at consignment and thrift stores.
- ☐ Drive an economy car or use public transportation.
- ☐ Eat only one meal out each week.
- ☐ Cancel your cable TV or cell phone service.
- ☐ Rent a video instead of going to the movies.
- ☐ Lower the thermostat in the winter and raise it in the summer.

Want to sock away $500 each month?

Try adding these relatively painless cutbacks:

- ☐ Eat out only once a month.
- ☐ Use public transportation often.
- ☐ Cancel your cable TV, cell phone and Internet service.
- ☐ Borrow from the library instead of buying at the bookstore.
- ☐ Share living costs with a roommate or two.
- ☐ Read books on ways to be thrifty.

DEBT MANAGEMENT TIPS

Are you ready to take control of your spending so you can get on the path to the lifestyle you really want? Implementing these strategies is the first step toward true financial independence.

- Identify your personal, professional and financial goals.
- Develop an affordable monthly budget and stick to it.
- Save a little money each month for emergencies.
- Keep accurate records of your spending.
- Maintain a strong credit history.
- Pay your bills—including your student loan—on time.
- Keep only one credit card and use it for emergencies only.
- Pay your credit card balance in full every month to avoid interest charges.

It's critical to distinguish between the things you need and the things you want. The following chart can help:

ITEM	NEED
Food	**Groceries**
Shelter	**Roommates**
Transportation	**Public transportation**
Clothes	**Basics**
Phone	**Regular land line**

ITEM	WANT
Food	**Eating out**
Shelter	**Apartment or house**
Transportation	**Car**
Clothes	**Trendy styles and labels**
Phone	**Cell phone**

TYPES OF LOANS

The program under which you borrowed depends upon the one in which your school participates. Programs include:

FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP) —Funded by lenders and guaranteed by a state agency or a private nonprofit institution

WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM (DIRECT LOAN)—Funded by the federal government

Fees up to 4 percent may be deducted from the loan amount in either program and may include origination and guarantee fees.

SUBSIDIZED STAFFORD LOANS

Interest on a subsidized Stafford loan is paid by the federal government while you're in school at least half time, during the grace period and during periods of deferment. The variable interest rate is adjusted every July 1—based on the 91-day T-bill—and will not exceed 8.25 percent. Payments on the loan are not required while you are in school, and begin six months after you graduate, leave school or drop below half-time enrollment.

UNSUBSIDIZED STAFFORD LOANS

You are responsible for paying the accrued interest on an unsubsidized Stafford loan, which is variable and subject to the same 8.25 percent ceiling as a subsidized loan. Interest begins to accrue at the time of disbursement, but you have the option to defer it and have it added to the principal balance. (See Capitalization chart on page 6.) Regular monthly payments start six months after you graduate, leave school or drop below half-time enrollment.

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 in a promissory note.

Capitalization: Adding 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 selling and 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 bureaus, 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; 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, the portion of your and your family's financial resources that should be available to help pay educational costs.

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; no grace period on PLUS loans.

Guarantee Fee: A 1 percent fee that may be charged on student loans; deducted from the loan to help defray the cost of the student loan program.

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

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: This 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: This 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.

Origination Fee: Fee collected by the federal government to partially offset the cost of a loan program; deducted from the loan amount before the borrower receives the money.

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.

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

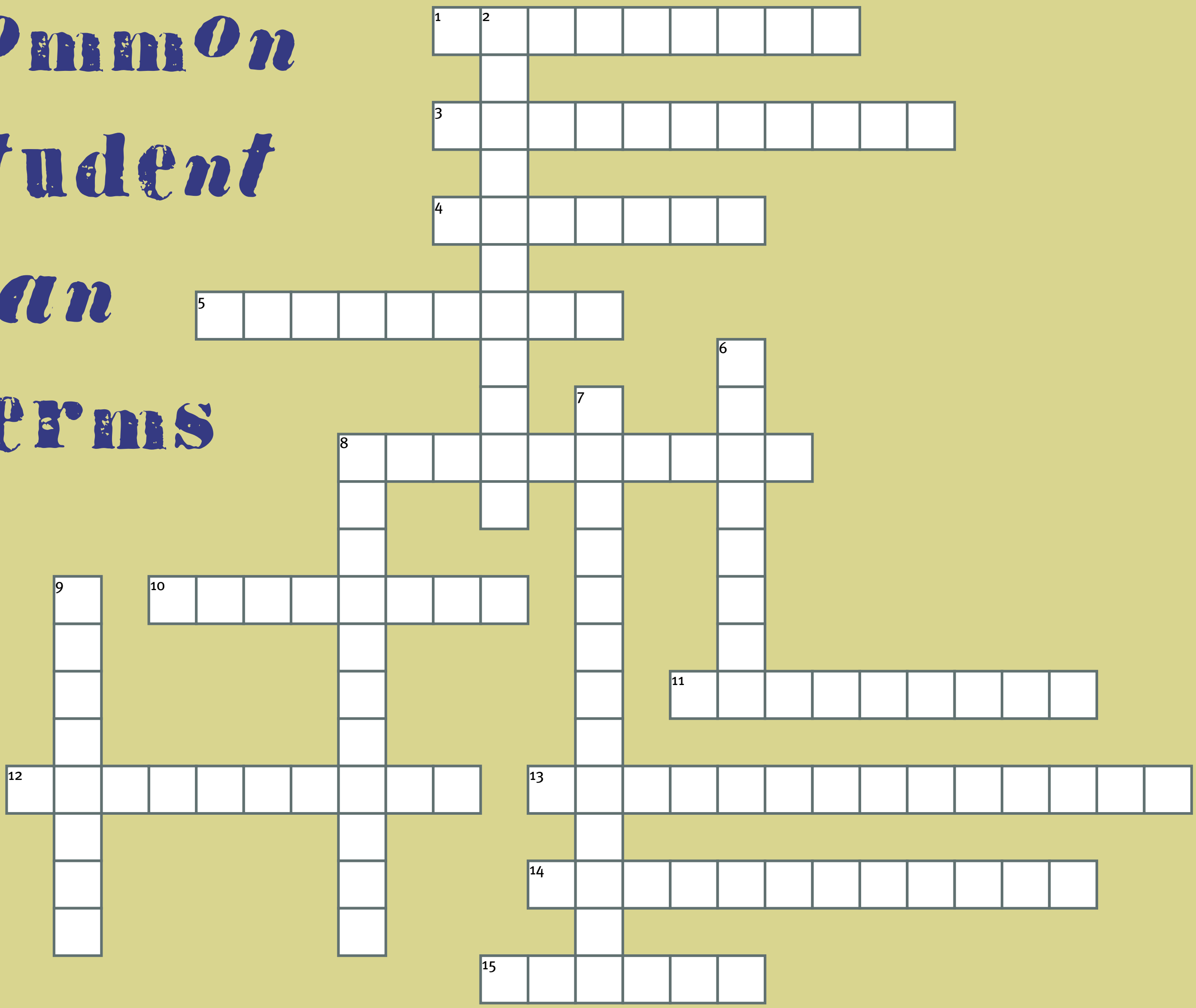
Secondary Market: A private lending agency that buys loans from lenders.

Servicer: The 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.

Common Student Loan Terms



ACROSS

1. Temporary postponement of loan payments that must be approved by the lender
3. Fee collected by the federal government to partially offset the cost of a loan program
4. Failure to make loan payments or otherwise honor a loan's terms
5. Releasing a borrower from his or her obligation to pay a loan
8. Statement that reflects the actual costs of the loan to the borrower
10. Company hired by a lender or secondary market to manage the day-to-day details of loan tracking and collection
11. Original amount of a loan before interest is added
12. Payment on a loan by the borrower sooner than it is due under the terms of the promissory note
13. Adding interest to the principal balance of a loan rather than paying it as it accrues
14. Release of loan money by the school to the borrower
15. Actual source for borrowed money

DOWN

2. Permission from a lender to temporarily postpone repaying the loan principal
6. Person responsible for repaying a loan by virtue of signing and agreeing to loan terms in a promissory note
7. Combining several loans into one by selling and transferring all loans to one lender
8. Failure to make an installment payment when it is due or to meet other terms of the promissory note
9. Fee charged to borrowers by lenders for using loan money

ANSWERS:
Across
1. Deferment
3. Origination
4. Default
5. Discharge
8. Disclosure
10. Servicer
11. Principal
12. Prepayment
13. Capitalization
14. Disbursement
15. Lender
Down
2. Forbearance
6. Borrower
7. Consolidation
8. Delinquency
9. Interest

PUZZLED BY THE PUZZLE?

If you had difficulty with any of the puzzle answers, check out the handy list on page 12 that defines common student loan terms.