



## The Cost of a Good Education

Chances are you've been told more than once in your life that to get a good job, you need an education. While many people got a good job without an education, there are many more who got a good job because they did have an education. "Consider the median wage of full-time workers who are at least 25 years old. At the end of last year, it was \$986 a week for those with a bachelor's degree or higher, versus \$574 for those with only a high-school education, according to the most recent calculation from the Bureau of Labor Statistics." (The New York Times, October 7, 2005.) A four-year college degree can be a solid investment, but there is no guarantee you will get that well-paying job as soon as you graduate so be prepared to be patient.

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### It's Important to Manage Your Student Loan Debt

If you do take out loans to finance your education, it is just as important to repay them properly as it is any other loan.

Be sure you understand just how much you owe and to whom you owe it. When you are worried about classes and homework, sometimes you may not think about just how much debt you are accruing. Those federal loans can seem pretty easy to qualify for, and if you're not careful, you will have more debt than you can handle. Know which financial institutions hold your loans. It may only be one or it may be several.

Make your payments on time. Making your student loan payments on time will help you establish good credit and improve your credit rating. It will also decrease the amount of interest you pay. Student loans are just like any other loan—delinquent payments or defaulting on a loan will do damage to your credit worthiness. Not only that, if you default on a student loan, it will be turned over to the federal government for collection.

Make your payments affordable. Don't accept the first loan and terms that come along. You have the right to negotiate. Many financial institutions will offer benefit programs to entice students to borrow from them. These benefits can include lower interest rates and repayment options. A common benefit is a reduced interest rate for payments that are automatically deducted from your bank account every month, or for a certain number of payments that are paid on time. Find the program that works best for you.

#### Some repayment options include:

- **Standard Option:** Monthly loan payments have a fixed amount and can be paid back in up to 30 years, depending on how much you borrow. Ten years is a more common repayment term. Paying each payment on time for the life of the loan will mean you pay the least amount of interest of all your options.

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# ARTICLES

## A Good Education

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An education costs money. When you are trying to get out of debt, the last thing you want to do is create new unnecessary debt, but it is very difficult to complete an education without some form of financial assistance unless you or your parents planned for college many years ahead. Typical debt statistics for graduating college seniors is more than \$19,000 at public institutions and nearly \$22,000 for private colleges. Some undergraduates borrow as much as \$35,000. Graduate students typically borrow even higher amounts, with the additional debt for a graduate degree ranging from \$27,000 to \$114,000 for a medical degree.

There are many things to consider before taking on education debt. Financing an education can take many forms. An education loan is a form of financial aid that you repay, with interest. Scholarships do not have to be repaid. There are three types of education loans: student loans (e.g., Stafford and Perkins loans), parent loans (e.g., PLUS loans) and private loans (alternative student loans). Federal laws establish the maximum interest rates and fees that can be charged for federally guaranteed loans. Lenders are free to charge lower fees, and so many offer some form of discount to attract borrowers.

Interest rates on federally guaranteed education loans are generally reasonable. For instance, Stafford Loans that were first granted after July 1, 2006 have a fixed interest rate of 6.8%. It's important to know, however, that if you receive an Unsubsidized Stafford Loan, this rate applies while you're still in school, too. Interest accrues even if you are not yet repaying the loan. If you are able to get a Subsidized Stafford Loan, interest will not begin accruing until you graduate.

The fixed interest rate on new PLUS loans granted after July 1, 2006 is 8.5%. PLUS loans are designed for parents who are paying some or all of their undergraduate child's college expenses. Parents must be creditworthy and may borrow up to the cost of the child's education that remains after financial aid is deducted.

Repayment of PLUS loans also differs from repayment for Stafford loans. Parents must begin to repay a PLUS loan within 60 days after the student withdraws the loan money. Unlike a Stafford loan, repayment must begin while the student is still enrolled. The parent has up to 10 years to repay the loan with a \$50 minimum monthly payment. ■

### **Postponing Your Student Loan Payments if You Have Financial Trouble**

You should know that federal student loans include the right to have your payments deferred if you cannot pay them. You will still have to pay the loan back eventually, and interest may continue to accrue while you are not making your loan payments. Under some conditions, you may receive a deferment or forbearance that allows you to temporarily stop making payments. For example, you may qualify for a deferment if you return to school at least half-time, are unemployed, or are experiencing an economic hardship as defined by federal regulations. If you don't qualify for a deferment but are temporarily unable to make loan payments for reasons such as illness or financial hardship, you can still be granted a forbearance.

Forbearance means that your payments are reduced or postponed for a period of time usually in up to twelve month intervals up to three years, because you are experiencing financial difficulty. You may be granted forbearance if you're not eligible to have your payments deferred. Unlike deferment, interest accrues regardless of the type of loan you have, and you will have to repay it. You will have to apply to the financial institution that holds your loan to be granted forbearance.

It is also possible for parents to request deferment or forbearance on PLUS loans. Parents will be charged interest during periods of deferment or forbearance. If the interest isn't paid as it accrues, it is added to the loan balance, which means the total amount to be repaid increases.

You must repay your loan even if you don't complete school or can't find a job related to your program of study, or are unhappy with the education you paid for with your loan. The only ways a person is relieved of repaying their student loans is if he or she becomes totally and permanently disabled (additional conditions apply), or if he or she dies. ■

# Financial Aid Possibilities You May Not Know About

Listed below are options for seeking money to fund a college education. Be sure that you investigate fully any of these means of funding to make sure you find the plan that will work best for you.

**My Rich Uncle:** An innovative company called lempower began a program they call MyRichUncle. In this program, private investors provide funding to help students pay for their college education. In return, students give back a pre-determined percentage of their annual income to the investors for a certain number of years after graduation. For example, a student might receive \$10,000 in funding in exchange for 2% of the student's income for ten years after graduation. This program is most appropriate for students who are pursuing business, technology, finance or professional degrees. You can find out more about this program at [www.MyRichUncle.com](http://www.MyRichUncle.com).

**Scholarships:** Unlike student loans, scholarships do not have to be repaid. Scholarships usually require that students meet certain qualifications. Springtime is an excellent time to apply for community scholarships. If you excel in science, athletic, or artistic ability and you have good grades in school, you have a pretty good chance of earning some form of scholarship. There are also community service scholarships and scholarships for average students that reward qualities other than academic abilities. Minority students also have a number of scholarship opportunities available to them. You just have to be willing to put the time into looking for scholarships to apply for.

Be sure you investigate a scholarship program thoroughly before you apply, and don't rely on services that require you to pay a fee in order to find scholarships that match your qualifications. If you have to pay money to get money, it's probably a scam. Scholarships that sound too good to be true usually are. Students who are lucky enough to earn a scholarship often think the scholarship precludes them from receiving other forms of financial aid. This is not true. Many scholarships don't cover the cost of college and you can still apply for financial aid. You must, however, note the scholarship on your financial aid application. Receiving a scholarship does not preclude you from receiving additional financial aid.

**Military aid:** Many people join the armed forces hoping that the military education benefits will cover the cost of



their education. You should be aware, however, that GI Bill education benefits pay only about 60% of the average cost of a college education. About 30% of eligible veterans fail to ever use their benefits when they return to civilian life.

## **Business and Professional Women,**

[www.bpwusa.org](http://www.bpwusa.org):

This organization makes scholarships available to disadvantaged women wishing to further their education for career advancement. More

than \$6 million in scholarships, grants, and loans to more than 8,000 women have been awarded.

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- **Graduated Payment Option:** This plan allows you to have lower monthly payments for the first few years and then the payments increase gradually over the life of the loan.
- **Income Sensitive Option:** While this option may sound appealing, it can be a little risky if you're not careful. With this option, the monthly payment amount is adjusted annually based on your income, but if you're not careful, your monthly payment may not be enough to cover the interest accruing on your loan, and you are never able to pay off the principle.
- **Consolidating Your Loans:** Usually you must apply for a new school loan each year you are in college. This means that when you are through, you may have three or more student loans. If so, you may want to consider consolidating your loans. Loan consolidation, in very simple terms, means you combine all your loans into one so you only have one monthly payment with a fixed interest rate. Because the combined total is higher, it also usually means you will have a longer repayment term. To really benefit from a consolidation option, your loans should total at least \$10,000, and all the loans must be under your social security number. ■

## Watch Out for Scams

The Federal Trade Commission warns students that there are unscrupulous companies out there who will guarantee or promise you scholarships, grants, or too-good-to-be-true financial aid packages. You may have already attended a seminar where high-pressure sales people told you that you must pay immediately or risk losing out on the "opportunity."

These companies guarantee students that they can get scholarships in exchange for an advance fee. Many offer a "money-back guarantee" but the conditions governing the refund make it impossible to get the refund.

The FTC recommends that you watch out for these telltale lines:

- The scholarship is guaranteed or your money back.
- You can't get this information anywhere else.
- I just need your credit card or bank account number to hold this scholarship.
- We'll do all the work.
- The scholarship will cost some money.
- "You've been selected" by a "national foundation" to receive a scholarship, or "You're a finalist" in a contest you never entered.

If you attend a seminar on financial aid or scholarships, the FTC recommends that you follow these steps:

- Take your time. Don't be rushed into paying at the seminar.
- Investigate the organization you're considering paying for help. Talk to a guidance counselor or financial aid advisor who is not part of the company before spending your money. You may be able to get the same help for free.
- Ask for a list of at least three local families who've used the services in the last year, then ask each if they're satisfied with the products and services received. It's just the same as being asked for references when you apply for a job.
- Ask how much money is charged for the service, what exactly the services are that you can expect to receive, and the company's refund policy. Get it in writing!

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To be eligible to apply for the 2007-2008 scholarship, you must:

- Be a female
- Be at least 25 years of age by May 2, 2007
- Be a U.S. citizen or U.S. national
- Demonstrate critical financial need
- Have an Expected Family Contribution (EFC) of \$2500 or less
- Be officially accepted into an accredited degree or certificate program at an accredited U.S. college or university, including those in American Samoa, Puerto Rico, and the Virgin Islands
- Plan to graduate or receive certification between December 1, 2007, and August 31, 2009
- Demonstrate clear career plans
- Not be earning a doctoral-level or degree such as PhD, MD, DDS, DVM, JD, etc.

**Talbots Women's Scholarship Fund:** The Talbots Charitable Foundation awards about \$100,000 in scholarships annually to women trying to complete a college degree. Five women are awarded \$10,000 scholarships, and 50 women are awarded \$1,000 scholarships. Scholarships are based primarily on financial need and previous achievements for women who earned their high school diploma or GED at least 10 years ago. Only 1,000 applications are accepted annually so be sure to get your application in early if you want to apply for this scholarship. Applications for the 2008 academic year are expected to be available in fall 2007.

There are many scholarships and grants available for just about any type of student you can think of. If you do the research, you may be able to save yourself a lot of money. ■

### Family Financial Education Foundation

ACCESS EDUCATION SYSTEMS

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