

# Student loan tips

You should research all other means of financial aid before taking out a student loan. Don't forget that a student loan has to be repaid, whether you finish your education or like the school or program you've started. You're taking on a commitment that will help improve your future but that also requires you to be responsible. By making your payments on time, you're establishing yourself as a good credit risk. This will help you later in life when you need to borrow money for another purpose, whether it's buying a car, furniture or home. Here are some tips that will help you to borrow wisely.

## Tip 1: Contact the school you plan to attend

Find out what other financial aid you qualify for before applying for a student loan. Grants, scholarships and work-study usually don't have to be repaid.

Ask the financial aid officer how much the total cost of attending school, including the estimated living expenses, is going to be.

Get a copy of the school's refund policy.

Check with the school about entrance counseling. Schools must provide this before you receive your first Federal Stafford Loan.

## Tip 2: Check out the job you're interested in

Find out the job opportunities in that field to make sure you can earn enough to pay back what you borrow as well as meet your living expenses. Defaulting on a student loan isn't an option, even if you can't find a job in the field you've trained for or if you don't make as much money as you thought you would. Research before committing yourself to a job where you won't earn enough money.

## Tip 3: Find out about student loans before borrowing

Borrow only what you need. Remember, you have to repay your loan.

The current interest rate on undergraduate subsidized Stafford Loans is 3.4 percent, while the rate on unsubsidized Stafford Loans is 6.8 percent. The chart at right shows the approximate monthly payments for various amounts at those two interest rates. For a quick estimate of how much you will pay based on the amount borrowed, the interest rate, and the repayment period, use the Loan Repayment Calculator at [www.kheaa.com](http://www.kheaa.com).

The federal government requires the Master Promissory Note (MPN) for all Stafford Loans.

Use student loans only for educational purposes. Giving false information or using federal student loans for any purpose other than legitimate school expenses is a federal crime.

Generally, you have up to 10 years to repay your student loans. The minimum monthly payment is \$50. Your repayment duration and monthly payment will be based on your loan balance. An extended repayment plan may be available if you owe more than \$30,000 in student loans. Under the extended repayment plan, you can take up to 25 years to pay, depending on how much you owe.

## Tip 4: What happens after the first year?

Most financial aid programs have renewal requirements and some limitations such as:

- Advancing to the next grade level.
- Requiring students to reapply each year.
- Limiting the total number of years aid can be received.

Before you transfer to another school, be sure to check on the status of your financial aid.

## Tip 5: Now the fun part — repayment!

When you start making payments, think about paying a little extra. The extra is applied to the principal, which lowers the total interest you end up paying.

If you have any trouble making your payments, contact your loan servicer immediately. Your servicer is whoever collects your payments. It may not be your lender. You may be able to postpone or reduce your payments temporarily. Before you enter repayment, you will go through additional counseling, called exit counseling, to help you understand your obligations.

Federal Stafford Loan Repayment		
Amount Borrowed	Estimated Monthly Payment	
	3.4%	6.8%
\$ 5,000	\$50	\$58
\$10,000	\$99	\$115
\$15,000	\$147	\$173
\$20,000	\$197	\$230
\$25,000	\$246	\$288
\$30,000	\$296	\$345
\$35,000	\$345	\$403
\$40,000	\$394	\$460