

Federal student loans

You should research all other means of financial aid before taking out a student loan. A student loan has to be repaid, whether you finish your education or like the school or program you've started.

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.

If you do get a loan, you're taking on a commitment that requires you to be responsible. By making your payments on time, you're establishing yourself as a good credit risk. This will help you when you want to borrow money for a car, a home or another major purchase.

Here are some tips to help you borrow wisely.

Tip 1: Contact the school you plan to attend

Ask the financial aid officer how much the total cost of attending school, including living expenses, will be.

Know what the school's refund policy is. Ask the financial aid officer or check the student handbook.

Do your entrance counseling. Schools must provide this before you receive your first Federal Direct Loan.

Tip 2: Research the job you're interested in

You need to check into job openings and salaries so you can repay your loans and 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.

Tip 3: Find out about student loans before borrowing

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

The interest rate on Direct Loans changes each year. The chart shows the approximate monthly payments for various loan amounts at 2.75 percent interest. For a quick estimate of your payment based on how much you have borrowed, the interest rate and the repayment period, use the Loan Repayment Calculator at www.kheaa.com.

You must sign a Master Promissory Note (MPN) to receive a Direct Loan.

Generally, you have up to 10 years to repay your student loans. The minimum monthly payment is \$50. Your repayment duration and monthly payment are based on your loan balance. The government usually has several repayment options from which to choose. Compare them to find the one that's best for you.

Federal Direct Loan Repayment

Amount Borrowed	Estimated Monthly Payment at 2.75%
\$5,000	\$50
\$10,000	\$95
\$15,000	\$143
\$20,000	\$191
\$25,000	\$239
\$30,000	\$286
\$35,000	\$334
\$40,000	\$382

Tip 4: Check into what happens after the first year

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

- Showing satisfactory academic progress.
- 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: Save on repayment

When you start making payments, think about paying a little extra — a few more dollars paid each month reduces the overall amount of interest you will pay over the life of the loan. If you pay an extra \$10 each month, \$120 a year, the extra money 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. 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.