



# What to Know Before You Owe

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## Choosing Your School

Education is a big investment and choosing the right school is important. Whether you are planning to attend a four-year college or university, a community college, or a career or vocational school, knowing the right questions to ask is important.

### What to Ask

- What programs does the school offer?
- Can your credits transfer to another school?
- When you tour the school, can you sit in on a class?
- Other than tuition, what other fees will you need to pay?
- What is the school's refund policy?
- What are the academic requirements to keep your financial aid?
- What percentage of students graduate?
- How much money can graduates in your program make after graduation?
- What is the salary range for the career you are considering?
- Is job placement available? What is the placement rate?

### How Much Will School Cost?

Each school's cost of attendance or student budget is different. Request and review sample student budgets from the schools you are considering. A budget will include tuition and fees, an allowance for books, housing and personal items. Depending on your situation, other costs may apply, such as transportation and childcare - ask your school's financial aid office for advice in each of these situations.



## Creating a Financial Plan

### How long will your program take to complete?

*Be sure to know:*

- How much education is required for the field you wish to pursue. Will you need a graduate degree?
- How much money can you expect to earn when you enter the field?

**Remember:** Enrollment, academic standards (grades) and attendance all have an impact on your financial aid.

### Comparing Costs

Ask your school's financial aid office about how much you can expect your program to cost each year:

Budgeting and financial planning can help you develop a strategy that will work for you. Plan with your family how you will pay. Ask yourself:

- Can you work part-time while in school?
- Can you work for an employer who will pay for school?
- How can you reduce expenses while in school?

*Make sure to:*

- Apply for financial aid.
- Apply for scholarships.
  - Scholarships come from many sources. Contact your high school counselor or your school's financial aid office.
- Use the Web to look for scholarships.
- Watch for scholarship offers in banks, grocery stores, even fast food restaurants.

Beware of paying for scholarship searches! No legitimate search company guarantees results!



## Paying for School – Your Financial Options

In order to be considered for financial aid, you must apply. There are no application fees - it's free.

**Use the Web:** Most college or university financial aid offices maintain a Web site. If you are in high school, check out the counseling office. They have a wealth of information, including Internet access.

Complete the Free Application for Federal Student Aid (FAFSA) as soon as possible after January 1 of the year you are going to school. The FAFSA is required for any federal student aid – no matter where you attend school.

**NOTE:** The FAFSA must be filled out every year you attend school.

The FAFSA is available in English and Spanish at most colleges, high schools, and libraries. The best way to complete the FAFSA is on the Web at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

- **Check the FAFSA carefully.** Errors can cost you valuable time and money. If you have questions along the way, do not hesitate to contact a financial aid office and ask for help. You can also get help by calling the Department of Education's help line at 800.433.3243 or online at [http://studentaid.ed.gov/students/publications/completing\\_fafsa/index.html](http://studentaid.ed.gov/students/publications/completing_fafsa/index.html).
- **Watch your mail or e-mail.** Once the FAFSA is processed, you will receive a Student Aid Report (SAR), usually by e-mail if you applied on the Web. The schools you indicate on the FAFSA will receive the results and send you information about aid eligibility. If you need to make corrections or respond to a financial aid offer, you need to do it quickly.
- If you are eligible for student loans, complete the student loan application according to your school's instructions. The information you receive from the financial aid office will spell out your school's procedures.



## Applying for Financial Aid

The FAFSA is the application for most grants, college work study and loans (some schools require an additional application). Apply as soon as possible after January 1. It can take at least four weeks to process your FAFSA application.

Many schools have priority consideration dates. If you miss a deadline you may miss out on financial aid funds. Why? Because many campus-based programs have limited funding. Students who meet the deadline are the first to be considered for some of the best financial aid programs, including grants and work study.

Information about priority consideration dates will be included in your school's financial aid information. If you miss a priority date, submit the form(s) anyway. Some programs, including Pell Grants and student loans, are not affected.

### Important Notes

- If your financial circumstances change during the year, or after you have completed the FAFSA, notify your financial aid counselor who may be able to make adjustments.
- If you transfer from one school to another, your financial aid does not automatically go with you. Notify both financial aid offices.



## Understanding Financial Aid

Financial aid consists of grants, scholarships, work study and student loans. You are not required to repay grants or scholarships.

### *Federal Programs*

**Pell Grant** is the largest federally funded grant program. These grants are need-based aid for eligible undergraduates. They do not need to be repaid. You automatically apply by completing the FAFSA.

**Academic Competitiveness Grants (ACG) and National SMART Grants** are for U.S. citizens who are eligible for Pell Grants and who meet additional academic qualifications.

**Supplemental Educational Opportunity Grant (SEOG)** is offered by the financial aid office to students with exceptional need.

**Work study** dollars are usually awarded based on your financial need. You then find a campus-based job and receive a paycheck for the work performed (up to the amount of the work study financial aid award).

**Loans** are borrowed money that must be repaid. It is your responsibility to know the terms and repayment amounts of your loan(s).

**Scholarships** typically require separate applications. A good time to begin your scholarship search is during your junior year in high school (or the year before you plan to attend college).

### *Other Aid*

**State and private aid** may also be available to you. Many types of state aid are awarded through the FAFSA, but other kinds require separate applications. Some employers offer tuition reimbursement programs. Be sure to add these to your search.

**Hope Scholarships and Lifetime Learning Credits** are actually tax deductions. Be sure to learn about them when preparing your federal tax returns.

## Calculating Your Financial Aid

You will receive financial aid through your school's financial aid office. Results from the FAFSA provide you and the school(s) with your Expected Family Contribution (EFC), or how much you and your family are expected to contribute toward your education. The FAFSA determines how much you and your family can afford based on income, assets, and the number of people in your family, among other things. The school then deducts your EFC from the Cost of Attendance (COA) to determine your financial need.

- Your EFC will remain the same no matter what school you choose to attend.
- The COA will differ from school to school.

$$\begin{array}{r} \text{Cost of Attendance (COA)} \\ - \text{Expected Family Contribution (EFC)} \\ \hline = \text{Your financial need} \end{array}$$



## Student Loans

Student loan programs make up the majority of federal financial aid funds. It is important to know the basics about student loans before you borrow. Be sure you are aware of your total loan amounts as you progress through school. Borrow only what you can afford to repay based on your expected income and future goals.

The **Stafford** and **PLUS** loans are part of the financial aid that is available to help you pay the cost of your higher education.

In order to be eligible for a student loan you must meet the following requirements:

- Enroll or be accepted for enrollment as at least a half-time student at an approved school
- When enrolled, make satisfactory progress according to the school's standards
- Be a U.S. citizen, national, permanent resident or eligible non-citizen. You may be required to provide proof of your status
- Be free from default on any other student loans and free from any obligation to repay a federal or state grant
- Male students must satisfy the Selective Service requirement
- Meet any other requirements specified by your school's financial aid office

There are two finance charges associated with the loan programs. The first charge is a 1 percent federal default fee, which insures the repayment of your loan to your lender in the event of death, permanent and total disability, or default. The second charge is an origination fee of up to 3 percent, which goes to the federal government to help offset the cost of the student loan programs. Both fees may be deducted from your loan funds by your lender, but you are responsible for repaying the total amount of the loan.



## Federal Stafford Loans – Subsidized and Unsubsidized

The **federal Stafford Loan** helps you pay for school. All eligible students can take out a Federal Stafford Loan regardless of income. Your financial aid counselor will determine your eligibility based on the information you provide on the FAFSA. Loan eligibility varies by your year in school, dependency status, and other factors.

During a four-year period, new subsidized Stafford loans for undergraduate students have reduced interest rates for the life of the loan (not applicable for new subsidized loans for graduate students or unsubsidized loans, which remain at 6.8 percent.)

For loans first disbursed on July 1 of: the subsidized interest rate for undergraduate students is:	2008	2009	2010	2011	2012
	6%	5.6%	4.5%	3.4%	6.8%

**Subsidized Stafford Loan:** The Federal government pays the interest on your loan while you are in school, during your grace period or during any period of loan deferment.

**Unsubsidized Stafford Loan:** The “U” means you pay the interest. You can pay the interest while in school or let it accrue and pay the interest later.

The loan limits listed are maximums. Your financial aid office will make the final decision depending upon your overall eligibility.

### Loans First Disbursed On or After July 1, 2008 Federal Stafford Loans for Undergraduate Dependent Students (Whose Parents Have Not Been Denied a PLUS Loan)

Grade Level	Base Amounts*	Additional Unsubsidized	Total Amounts
Freshman	\$3,500	\$2,000	\$5,500
Sophomore	\$4,500	\$2,000	\$6,500
Junior & Senior	\$5,500	\$2,000	\$7,500
Aggregates	\$23,000	\$8,000	\$31,000

\*Maximum amount that may be subsidized

**Loans First Disbursed On or After July 1, 2008**  
**Federal Stafford Loans for Undergraduate Independent Students (and  
 Dependent Students Whose Parents Have Been Denied a PLUS Loan)**

Grade Level	Base Amounts*	Additional Unsubsidized	Total Amounts
Freshman	\$3,500	\$6,000	\$9,500
Sophomore	\$4,500	\$6,000	\$10,500
Junior & Senior	\$5,500	\$7,000	\$12,500
Aggregates	\$23,000	\$34,500	\$57,500

\*Maximum amount that may be subsidized

**Loans First Disbursed On or After July 1, 2008**  
**Federal Stafford Loans for Graduate Students**

Grade Level	Base Amounts*	Additional Unsubsidized	Total Amounts
Each Year	\$8,500	\$12,000	\$20,500
Aggregates	\$65,500	\$73,500	\$138,500**

\* Maximum amount that may be subsidized

\*\* For certain health and medical professions programs at the graduate level, students may borrow more than these amounts.

You will not begin repaying your loan(s) until six months (grace period) after you graduate, withdraw or drop to less than half-time enrollment.



## Federal PLUS Loans

The **federal PLUS Loan** may be taken out by a parent of a dependent undergraduate student or by a graduate or professional student. The loans are known as Parent PLUS or Graduate PLUS, depending upon who borrows. PLUS loans have an 8.5 percent fixed interest rate and a 3 percent origination fee. They are not based on financial need, but a credit check is required. There are no loan limits, but you can never borrow more than the cost of attendance, minus any other financial aid. The PLUS Loan may be used to help with your Expected Family Contribution.

Repayment begins 60 days after the final loan disbursement. Effective for parent PLUS loans first disbursed on or after July 1, 2008, a parent borrower has the option to begin repayment either 60 days after the loan is fully disbursed or not until six months after the student for whom the loan was borrowed ceases to be enrolled on at least a half-time basis.

If a parent is denied a PLUS loan because of adverse credit, the student may borrow an additional amount under the unsubsidized federal Stafford program.

## Repayment Options

**Standard repayment** is the most common payment schedule option and is the option assigned to you if you do not select another plan. Loan(s) are repaid in equal installments over a 10-year period. Your monthly payment is determined by the amount of the loan and the length of the repayment period. Generally, this option is the fastest and most economical method of repayment. You can also prepay your loan without penalty.

**Graduated repayment** begins with lower loan payments that increase until the balance of the loan is repaid. The amount of interest paid over the life of the loan is higher with this option than with standard repayment.

**Income-sensitive repayment** begins with a monthly payment amount that is adjusted annually to reflect changes in your income. Your payment is based on your monthly income and student loan debt. This option may be used for a maximum of five years, when the account will be converted to standard or graduated repayment.

You may want to contact your lender to discuss other repayment options.

## Consequences of Default

- The default is reported to all credit bureaus, which will damage your credit rating
- Generous repayment schedule and deferment options are lost
- Federal and state tax refunds may be seized
- Wages may be garnished
- Eligibility for other student aid programs may be lost until suitable arrangements for repayment are made
- The federal government can file a lawsuit against a defaulter
- Eligibility for certain state and federal jobs may be denied
- Loans may be assigned to a collection agency
- A defaulted student loan borrower may experience credit problems and become a poor credit risk
- Academic transcripts may be withheld

## Be an Informed Borrower

Think about repayment before you borrow and explore all other financial aid options. Student loans must be repaid – *even if you do not graduate*.

Before you receive loan funds, your school will require that you complete a student loan counseling session, called an entrance interview. When you leave school, you will complete an exit interview. Your school will provide you with information on how to complete the interviews.

**suc-cess** (sək ses') *n.*  
**1** [Obs.] result; outcome  
**2** result **b)** something  
 wealth, fame, rank,  
**suc-cess-ful** (-fəl) *a*  
 out to be as was hope

## Estimating Your Salary After Graduation

Estimating how much your salary will be after you graduate is an important thing to do before borrowing – it may influence how much you should borrow – because you will eventually have to pay the money back.

Listed below are occupations and sample starting salaries. Keep in mind that salaries are always changing due to economic conditions. The economy may look good today, but could change tomorrow. You should also consult your school's career placement office for additional details.

Occupation	Entry-Level Annual Salary
Accountant	\$46,718
Advertising Professional	\$33,831
Aerospace Engineer	\$53,408
Biologist	\$34,953
Computer Programmer	\$55,250
Economist	\$35,752
Environmental Engineer	\$47,960
Forestry	\$34,678
Human Resources	\$41,680
Marketing	\$40,161
Teacher	\$31,753
Technical Writer	\$40,400

Source - U.S. Department of Labor Web site



## Money Management Tips

Good financial habits have rewards.

- Make your monthly payments on time and build a good credit rating. Your lender may offer incentives (borrower benefits) for good repayment behavior such as:
  - A .25 percent interest rate reduction on eligible loans for using "direct pay" - having monthly payments deducted directly from your personal checking account. Not only do you make payments on time, but you also maintain good credit.

### How much can you afford to repay after graduation?

An acceptable student loan payment is 8 percent to 10 percent of your first-year gross starting salary. Remember, determining acceptable debt levels is based on two estimates:

- How much you will borrow
- How much you will earn once you are out of school

It is a good idea to estimate monthly payments using the highest interest rate allowed under each program.

### Estimated Monthly Payments (10 Year Term)

Loan Amount	8.5%	6.8%
\$5,500	\$68.19	\$63.29
\$7,500	\$92.99	\$86.31
\$8,500	\$105.39	\$97.82
\$10,500	\$130.18	\$120.83
\$20,500	\$254.17	\$235.91
\$25,000	\$309.96	\$287.70
\$30,000	\$371.96	\$345.24
\$35,000	\$433.95	\$402.78
\$40,000	\$495.94	\$460.32

## Budgeting once you are out of school

Being on a budget does not have to be painful. Your student loan payments are monthly, just like your rent or house payment, car payment, utilities, and insurance. Work with a budget that is simple and easy to remember, like the example below:

Estimated yearly pay before taxes	\$30,000
Taxes and other payroll deductions, at 25% (estimate)	- 7,500
Estimated yearly pay after taxes (not factoring in any refund)	\$22,500

### Sample Monthly Budget \*

Estimated monthly take-home pay	\$1,875
Rent (modest one-bedroom apartment)	- 750
Utilities (phone, lights, etc.)	- 90
Food	- 300
Student loan payments at about 9% (example)	-50
Transportation, used car, paid in full	0
Monthly operating cost (gas, oil, maintenance)	- 150
Car insurance	- 100
Emergency fund (examples: car; computer repair; and other unforeseen circumstances)	- 100
General fund for clothing, entertainment, credit cards, holidays, travel, household, cable, internet, pet, medical-dental, at least 12%	- 225
<b>Discretionary income</b>	<b>\$110</b>



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College Assist  
 3015 South Parker Road, Suite 400  
 Aurora, CO 80014-2904  
 Phone 800.727.9834  
 Fax 303.696.3663  
[www.college-assist.com](http://www.college-assist.com)