

Manage Your Student Loan

Match Your Loan to Your Budget

Not all loans are the same. What determines cost?

Interest rate: Is the interest rate variable or fixed? If variable, do you expect the rate to increase? Can you decrease the interest rate if you pay on time over a certain amount of time?

Fees: A low interest rate can offset high processing (origination and guarantee) fees, and vice versa. Generally speaking, 4% in fees is equal to about 1% in interest.

Repayment terms: The amount of time you take to pay back a loan can influence the final cost, as well as the responsible party (student or parent). See below for more info on plans.

Federal student loans are generally less expensive than private loans, though a private loan may offer more flexible repayment terms and have a higher loan limit. The important thing is to figure out what sort of loan is best for you.

FastTip: A great tool to use to compare loans is the Loan Analyzer offered on FinAid.org:

<http://www.finaid.org/calculators/loananalyzer.phtml>.

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Repayment Options

Each repayment option offers varying degrees of flexibility, depending on the amount you borrowed and the loan type.

Standard Repayment Plan

Payment: Monthly payment is fixed (min. \$50). One payment is equal to your total loan amount (principal + interest) divided by the number of months in your repayment period. The max number of months over which to pay is 120 months (10 yrs).

Advantages: Economical and predictable; keeps interest to a minimum.

Disadvantages: Monthly payment stays the same regardless of income.

Extended Repayment Plan

Payment: Same as the Standard Plan, except that students receive a longer period of time to pay off their loan (usually 12 to 30 years). The larger the loan amount, the more years you'll have to pay the loan back.

Advantages: Lower monthly payments than the Standard Plan.

Disadvantages: Increases the amount you pay in interest over the life of the loan.

Loan Problems? Ask For Help!

Avoid default! Loan default is what happens when you fail to make regular payments over a 270-day period. Consequences of default are very serious. What can this mean?

Lost eligibility for further federal aid: Don't jeopardize any future potential aid by defaulting on your current loan.

Immediate payment: You may have to pay the whole loan (principal and interest) immediately.

Collection agency involvement: You may get sent to collections, have to pay additional interest and fees (late, court and attorney) and collection costs (up to 18.5% of balance).

Damaged credit rating: Don't ruin your chances for a credit card, car loan or home mortgage, not to mention renting an apartment or applying for a job. Your default will remain on your credit report for up to seven years.

Garnished wages: Money may be taken out of your paycheck to pay your debt (up to 15%).

If you're having trouble making payments, don't wait! Ask for help from your loan holder or loan servicer right away.

News: Fixed Interest Rates

On July 1, 2006, the interest rate for new Federal Stafford loans increases to 6.8%; for new Federal Family Education PLUS loans to 8.5%. It's expected that the rate for the Direct PLUS will also rise to 8.5%. All rates are fixed.

If you are considering a consolidation, do so by July 1, 2006 to lock in current rates. There will be no advantage after this date since the variable rates are expected to increase.

Graduated Repayment Plan

Payment: Repayment amount increases every two years until the loan is paid off (takes between 12 and 30 years). The larger the loan amount, the more years you'll have to pay the loan back.

Advantages: Monthly payments will be easier to manage at first; initial payments will be lower than the Standard Plan.

Disadvantage: You will end up paying more in interest. Also, without a stable or increasing income, you may have trouble as the monthly payments rise over time.

Income Contingent Plan

Payment: Your monthly payment is adjusted annually based on yearly income, family size, interest rate and loan amount. Your monthly payments will rise and fall in relation to your income.

Advantages: You usually have up to 25 years to repay. Any portion of the loan amount that has not been repaid up to this time is forgiven.

Disadvantages: After 25 years, the forgiven loan balance will be counted as income and is taxable. Parent loans are not eligible to be repaid with the income contingent plan.

Scholarship Guide

Hunt for Scholarships: How to Start

- **Go online.** Take advantage of free online scholarship searches, such as www.fastweb.com. Your college's Web site may also have a list of scholarships.
- **Search your community.** Who might offer scholarships?
 - Organizations in your neighborhood
 - Cultural organizations who provide awards based on ethnic background or heritage
 - Your parents' employers
- **Talk to faculty and your academic advisor.** Professors and academic advisors may know about grant opportunities. Ask them about grants and private and corporate sponsorships for which you might qualify.

Scholarships & the Current Student

How can you preserve your scholarship?

Is Your Scholarship Renewable?

If there is any question whether your scholarship has renewal provisions, talk to your school or scholarship sponsor as soon as you've won the scholarship. You may have to:

- **Submit a renewal application.** Scholarships may require you to submit a new application each academic year.
- **Maintain your grade point average (GPA).** You may need to maintain a minimum GPA to remain eligible.
- **Complete the courses you need.** You may be required to fulfill certain academic requirements, such as a certain number of credits or specific courses.
- **Keep track of your hours/credits.** Scholarships frequently require you to be considered a full-time student.

Is Your Scholarship Taxable?

Not sure? Ask the organization award sponsor or contact the IRS (www.irs.gov or 800-829-1040). Also, review IRS Pub. 520 (on the IRS site) that details scholarships and taxes.

Generally, a scholarship is *tax-free* if:

- You are a full-time or part-time candidate for a degree at a primary, secondary or accredited post-secondary institution.
- The award covers tuition and fees to enroll in or attend an educational institution.
- The award covers fees, books, supplies and equipment required for your courses.

A scholarship is considered *taxable* if it is used to cover:

- Room and board
- Clerical help
- Research
- Non-course-related equipment
- Travel

If your scholarship is **tax-free**, you won't have to file a tax return or report the award. But if you have a **taxable** scholarship, you will have to report your scholarship to the IRS.

Scholarship Essays: Master the Basics

Pay attention to details for a high quality essay.

Get organized. Brainstorm to generate some good ideas and then create an outline to help you get going.

Demonstrate originality and creativity. To catch the attention of a scholarship judge, find a hook that will interest the reader right away.

Show, don't tell. For example, if you're describing an activity you participated in, don't describe it in general terms. Be specific! What duties did you perform? What affect did it have on your life or the lives of others?

Develop a theme that fits the scholarship. What sort of student is the sponsor looking for? Include elements in your essay that complement the sponsor's expectations (without pretending to be someone you aren't).

Turn in a professional-looking essay. Write a second draft to catch mistakes and better organize your thoughts. If possible, type and double-space your essay. Check spelling and grammar. Finally, share your essay with friends, family or teachers for another proofread.

What Do Judges Look For?

Make it past the first round by following these simple rules:

- **Do you qualify?** Sounds simple, but students every year waste time by applying for awards they aren't eligible to win. If you don't qualify, don't enter.
- **Is your application presented well?** Type your essay application. Mark each page with your name, so even if your application gets separated, it can still be identified.
- **Did you include all required documents?** Required documents that are frequently left out of applications include: transcripts, references and a letter of recommendation.
- **Did you answer all of the questions?** Double-check that you haven't forgotten any required information.

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Plan For the Summer & Next Year

Coming Back? These Tips Can Help

Whether you just finished your freshman year or you're looking forward to your last year of college next year, use these tips to start next year off right.

Make a budget: Decide how much you will need to earn over the summer for next year. Did you make financial mistakes this year that you can correct for next year?

Renew current scholarships: You may have to take certain classes to maintain your scholarship, submit an application each year or take a certain number of credits. Fulfill all renewable scholarship requirements.

Find new scholarships: Apply for scholarships at: www.fastweb.com. Check your community and expand your search to apply for as many scholarships as you can over the summer.

Financial aid: If you haven't yet, submit your FAFSA! It still may not be too late to qualify for some federal aid. If you've received your SAR, make sure you understand it. Call the U.S. Dept. of Education at 800-433-3243 or contact your school's financial aid office if you have questions.

Arrange housing: Are there any deposits that you need to place at the end of this year for next year? If your lease is up, make sure you make arrangements to receive your security deposit back.

Register for fall classes: What courses do you need to complete your major? Meet with your faculty advisor before the end of the year to help with class decisions. Do you need summer school classes?

Volunteer and/or intern: Get involved in your community and/or valuable real-world experience, obtain college credit, learn more about an industry and add value to your major. Besides being fulfilling and fun, volunteering/interning can build your resume and supply great material for scholarship essay applications.

Year-Specific Tips

College Freshman

- Review how you managed your time. How can you learn from your mistakes?
- Do you want to be an RA? Applications are usually due in the spring.

College Sophomore

- Prepare a draft of your resume and cover letters.
- Check with your college career center for possible summer internship and job listings.
- Explore alternative career planning options such as: assisting a professor with research, international internships, mentoring programs and independent study.

College Junior

- Check with your college career center for internship and job listings for the summer or next year. Polish your resume and cover letters.
- Explore alternative career planning activities: assist a professor with research, intern internationally, join a mentoring program and study independently.
- Planning to go to graduate school? Begin studying for the required standardized test (MCAT, LSAT, GRE, GMAT).
- Attend college job fairs. They can provide great networking contacts and help you narrow down possible career paths.

Looking for a Summer Job?

Ask yourself these questions to find one that you'll enjoy:

- ▶ Do you have any financial or personal goals you'd like to achieve?
- ▶ Do you prefer to work autonomously or as part of a team?
- ▶ What special skills and talents do you have?
- ▶ Would you prefer to work indoors or outdoors?
- ▶ Do you enjoy interacting with the public?
- ▶ What sort of jobs have your friends or siblings held? What did they like or dislike about them?

Not every part-time job is academic, but nearly any job can supply you with valuable skills and experience:

- Teamwork
- Leadership
- Working with a boss
- Communication
- Organizational skills
- Customer service
- Time management

Knowing what you want out of a part-time job or the environment where you work will help you find a good match.

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