

TYPES OF LOANS

Federal Stafford Loans – If you are an undergraduate or graduate student, Stafford Loans are low-interest, federally guaranteed loans you should consider. There are two types: Stafford Loan-Subsidized, and Stafford Loan-Unsubsidized. With a subsidized Stafford Loan, the government pays the interest while you're in school, or on an authorized deferment. With an unsubsidized Stafford Loan, you're responsible for all the interest while in school. You have the option to pay this interest or allow your lender to capitalize it.

Graduate/Professional PLUS Loans – If you are a graduate or professional student, and have not reached the maximum you can borrow in Stafford Loans, Grad PLUS Loans are an affordable alternative to private loans or maxing out your credit cards. Unlike some private loans that come with variable rates that can climb several times a year, this loan has a fixed rate of 8.5 percent for the life of the loan. Interest accrues and payment options are the same as unsubsidized Stafford loans.

Federal PLUS Loan – If you are a parent with a dependent child in college, you may be eligible for a low-interest PLUS Loan to help pay undergraduate college expenses. You don't have to demonstrate financial need to borrow PLUS Loans, but a credit check is required.

Federal Perkins Loan – This is a low-interest loan for both undergraduate and graduate students with exceptional financial need. Your school is your lender. The loan is made with government funds, and your school contributes a share. You must repay this loan to your school.

Private Education Loans – Also known as Alternative Education Loans, these loans help bridge the gap between the actual cost of your education and the aid available from the state and federal governments and the college. Private loans are offered by private lenders. There are no federal forms to complete. Eligibility often depends on your credit score. Rates, fees and terms vary, so compare private loans carefully and read the fine print.

FOR MORE INFORMATION

Visit our Web site at www.hesc.org
Visit www.mapping-your-future.org

**HESC Customer
Communications Center**
1-888-NYSHESC
1-888-697-4372

Federal Student Aid Information
1-800-4-FED-AID
1-800-433-3243



Your Student Aid Agency
New York State Higher Education Services Corporation

99 Washington Avenue, Albany, NY 12255
www.hesc.org

STUDENT GUIDE TO SMART BORROWING AND YOUR FINANCIAL FUTURE



BE A SMART BORROWER

Smart borrowing means borrowing only what you need and can afford.

First, get all the free money available to you in the form of grants and scholarships.

Student loans can have different interest rates and repayment plans, so make sure you get the loan that best meets your needs. You can easily decide the amount you need using the online calculators at www.hesc.org.

Before pursuing a loan:

- Talk to your financial aid office to be sure you are aware of all of your options.
- Make sure you know all the financial aid you will receive.
- Plan so you don't over-borrow – accepting a loan can affect how much other aid you could be eligible to receive.

REMEMBER, IT'S A LOAN

You must pay back your loans – even if you don't complete your program, did not receive the services you purchased from the school, or do not find a job in your chosen field.

You're responsible for paying the amount you borrowed, the interest and fees. Repayment usually starts within six months after you either leave college or attend less than half time. It's up to you to set up payments with your lender.

If you have trouble with repayment, there is plenty of help available. Talk to your lender or HESC if you think there's a problem.

The consequences of default are serious.

If your loan goes into default, this will show as an adverse credit item on your credit report. To collect the debt, HESC may take your federal tax refund, litigate the account, or pursue other federal delinquent debt collection procedures.

You can get your loan account information and details on repayment at www.hesc.org or from the US Department of Education's central database for student aid at www.nslds.ed.gov.

Your **Master Promissory Note (MPN)** is designed to make your borrowing easier. It may be used for multiple loans for 10 years or your school may ask you to sign a new MPN each year. If you change lenders, you will be required to sign a new MPN.



CREATE AND STICK TO A BUDGET

Developing a budget will help you live within your income and manage your payments.

Use this worksheet or visit Smart Borrowing at www.hesc.org.

Monthly Income After Taxes	\$ _____
Monthly Expenses	
Housing	\$ _____
Telephone/Utilities	\$ _____
Student Loan Payment	\$ _____
(See Repayment Schedule below)	
Food/Household Supplies	\$ _____
Transportation Costs	\$ _____
Automobile Costs	\$ _____
Gas	\$ _____
Insurance	\$ _____
Medical/Dental Insurance	\$ _____
Clothing	\$ _____
Emergency Fund Savings	\$ _____
Entertainment	\$ _____
Misc. Required Expenses	\$ _____
Total Expenses	\$ _____
Remaining Funds	\$ _____

Sample Repayment Schedule — 6.8 percent

Loan Amount	# of Monthly Payments	Monthly Payment	Total Finance Charge
\$1,000.00	21	\$50.65	\$63.59
2,625.00	62	50.34	394.09
3,500.00	90	49.77	978.44
6,125.00	120	70.51	2,335.35
10,000.00	120	115.12	3,812.78
20,000.00	120	230.23	7,625.98
50,000.00	120	575.56	19,065.96



For complete information on loans, including borrowing limits, features, terms and repayment details, visit www.hesc.org

DON'T PAY FOR COLLEGE ON A CREDIT CARD

Credit cards can be a good way for parents and students to manage money while in college and to handle emergencies. But if credit cards are not used carefully, you can rack up credit card debt, often with a high rate of interest.

If you get a credit card, make sure you read the fine print, look for hidden fees, and charge only what you can pay off each month. The cost of using credit can be 18 percent or more, so watch your impulse purchases. Always pay more than the minimum or you'll end up paying much more than the actual price of your purchases.

INTEREST AND CAPITALIZATION

For both **unsubsidized Stafford** and **Graduate PLUS Loans**, you have the option of paying interest on loans while you are in school. If you choose not to, the interest will be capitalized – and added to the principal balance – which increases the outstanding principal amount due on the loan. Interest that is capitalized subsequently accrues more interest, adding an additional expense to the loan.

You are also responsible for the interest that accrues during a period of loan deferment. You can continue to make interest payments during the deferment period, or you can ask your lender to capitalize the interest.

Smart Borrowing Tips

- Know your college costs. They can include tuition, room and board, transportation, books, supplies and fees. Make sure you understand your cost of attendance before you borrow money to pay for it.
- Before you apply for a loan, apply for free aid like grants and scholarships.
- Borrow only what you need and can afford to pay back monthly, based on the beginning average salary of your chosen profession. Decide the amount that's right for you using our calculators and tables. Your student loan debt should total no more than 8 percent of your anticipated income.
- Get the best loan for you. Student loans have different interest rates, repayment plans, and repayment schedules.
- Learn how to manage your credit cards on campus and beyond. Don't graduate with credit card debt.
- Set and follow a personal budget so you can decide how much to borrow and how you can arrange your finances to pay back your loan.
- Consider part-time work, tutoring or work-study programs while attending school.
- Establish a savings plan. Put aside money each month to pay for school or future investments.
- Keep all documents you receive pertaining to your loan in one convenient location, as well as copies of any documents you send to your school or lender.
- Six months after you graduate or leave college, you'll start paying back your loan. Make sure you understand your rights and responsibilities.
- Consider consolidating your loans. Understand the advantages and disadvantages. Review the consolidation section, and more, in Managing My Loans and Grants at www.hesc.org to see if consolidation is a good option for you.
- If you're having trouble repaying your loan, there are options, including deferment, forbearance and other forms of help. The consequences of defaulting are serious, so get the help you need.

Know your college costs.

Establish a budget and a savings plan.

Borrow only what you need.

Learn how to manage your credit cards.