DOCUMENT RESUME

ED 401 818 HE 029 666

TITLE	Paying for College. A Guide for Parents and Their Children.
INSTITUTION	Student Loan Marketing Association, Washington, D.C.
PUB DATE	Nov 95
NOTE	28p.
AVAILABLE FROM	Sallie Mae, 1050 Thomas Jefferson St., N.W., Washington, DC 20007-3871.
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	College Bound Students; Federal Aid; Financial Needs; Higher Education; High Schools; *Loan Repayment; *Paying for College; *Student Costs; *Student Financial Aid; *Student Loan Programs
IDENTIFIERS	Perkins Loan Program; Stafford Student Loan Program

ABSTRACT

This booklet is designed to help prospective college students and their parents estimate college expenses, understand the financial aid process, become educated consumers of financing alternatives, and manage the repayment of education loans. It provides worksheets on how to figure direct and indirect college costs and how to save for college, including various investment choices. The booklet explains various types and sources of student financial aid, along with application and eligibility requirements. Specific information on Federal Perkins Loans, subsidized Stafford Loans, unsubsidized Stafford Loans, Federal Plus Loans, and private or institutional loan programs is provided. A comparison of loan repayment options, including the standard repayment account, Select Step account, income sensitive repayment account, and Smart Loan account, is provided. (MDM)

PAYING FOR COLLEGE

A Guide for Parents and their Children

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PAYING FOR COLLEGE

The cost of higher education is increasing each year, and funding a student's college experience is becoming more challenging for families. Although the costs can seem daunting, with good planning, carefully selected savings and investment choices and information about how you can access college financial aid, paying for college need not be a barrier for students with high goals.

A college education pays off in many ways. Recent studies indicate that college graduates earn more and are less likely to be unemployed than those with high school diplomas. In addition, the "college experience" — new friends, new challenges and new accomplishments — can provide personal growth and enrichment that last a lifetime.

Paying for College can help families through the process of saving and paying for higher education, whether they're setting up a college fund for a newborn, or helping a high school senior find ways to afford a chosen college. Keep this booklet handy to help you estimate college expenses, make your way through the financial aid process, become an educated consumer of financing alternatives and manage the repayment of education loans.

High school guidance counselors and financial aid administrators at the colleges you are considering are good sources of financial aid information. These professionals can help you find financing options that will work for your family. In addition, school and public libraries often have reference sections devoted to education and financial aid.

Paying for College is presented by Sallie Mae, the nation's leading company in education finance. We are committed to helping make education possible for anyone who wants it.

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How much will college cost?

When you estimate how much college will cost, it's helpful to understand what elements make up that cost.

□ Colleges and universities establish *direct costs,* which include tuition, room and board in student housing and any special fees.

□ *Indirect costs* are those which are not paid directly to the college, and can be controlled to some degree by students — personal expenses, books and transportation.

ESTIMATING CURRENT COLLEGE EXPENSES

If you know the direct costs of a selected college, use those figures to complete the worksheet below. You can also request an expense list from the college and adjust it for anticipated transportation and personal expenses.

Tuition and fees	$______
Housing	$______
Meals	$______
Books	$______
Personal expenses (laundry, snacks, medical, etc.)	$______
Transportation	$______
Miscellaneous	$______
Cost of Attendance for 1 Year	$______

If you are not focusing on one specific school yet, the College Board reports that the average annual cost for a public 4-year college in the 1995–1996 college year is $9,285. For a private 4-year school, the average is $19,762.

ESTIMATING FUTURE COLLEGE EXPENSES

Even if college is years away, you can estimate its cost. Just multiply the "Cost of Attendance for 1 Year" by the inflation factor for the number of years before college. Use the worksheet below and the table on pages 3-4 for your estimate.

Current Cost of Attendance for 1 year	$______
Multiply by inflation factor from table	x______
Future Cost of Attendance for 1 year =	$______

START PLANNING EARLY

Students and parents assume the primary responsibility for paying for college, and most families use a combination of savings, current earnings and financial aid to cover college expenses. Planning ahead is important for several reasons:

- By starting early — from the day a child is born — and saving systematically — every week or month — savings and investment earnings can grow significantly over a long period of time.
- When you start early, you can save smaller amounts over a longer period, which is easier on your budget.
- You'll accumulate more savings through the benefit of compounding. This means that when you reinvest earnings in your account, earnings build up over time not only on your investment dollars but also on earnings from previous years.
- You can support your student's educational goals without putting off your retirement planning.
- An early investment strategy can also help students complete college and begin careers with less debt.
- And, having a larger college fund gives students a broader range of college choices.

HOW MUCH TO SAVE?

You should save as much as you can. Almost any family can set aside some amount of money, no matter how small. And whether a prospective student is in nursery school or high school, it's never too early or too late to establish a college fund. Setting a savings goal and breaking it down into manageable installments is a good way to get started.

COLLEGE COST ESTIMATION TABLE

NUMBER OF YEARS BEFORE THE STUDENT ENTERS COLLEGE: 1	2	3	4	5	6
INFLATION FACTOR, ASSUMES 6% AVERAGE ANNUAL COST INCREASE: 1.06	1.12	1.19	1.26	1.34	1.42

Look at the comparison below to see how a savings plan can reduce your education debt. You'll see that even a small amount put aside on a regular basis can have a big impact when it's time to pay the bills.

	Family A	Family B
Years before college	6	18
Amount saved per month	$75	$25
Total saved at college enrollment*	**$6,308**	**$8,766**

**Assumes 5% interest rate compounded monthly.*

HOW TO SAVE?

Once you've decided how much you intend to set aside for college, the next question is what to do with it. The best way to develop a plan that fits your family's financial profile is to discuss options with your financial institution or contact a reputable financial planner for advice. Then, consider the following questions:

- ☐ How many years do I have to save before college?
- ☐ How much investment risk am I willing to take?
- ☐ What are the minimum investment requirements?
- ☐ How can I minimize the affect of taxes on investment earnings? For example: Savings invested in a custodial account for the student may provide tax savings for the parents, but could also limit eligibility for aid when it's time to apply for college. Students are expected to contribute 35% of their assets to college costs, whereas the parents' required contribution from assets is a lot less at around 5 or 6%.
- ☐ How will fees or maintenance charges affect earnings on my investments?

Following are brief descriptions of several types of college funding options that you may want to investigate:

9	10	11	12	13	14	15	16	17	18
1.69	1.79	1.90	2.01	2.13	2.26	2.40	2.54	2.69	2.85

Traditional Bank Services include savings accounts, money market accounts and certificates of deposit. Fees may be charged for some bank services. Bank deposits are federally insured and almost risk free, however rate of return may be less than with other riskier investments.

U. S. Savings Bonds can be purchased from banks, through payroll deduction programs or directly from the U. S. Treasury. Exempt from local and state taxes, bond earnings can also be free from federal taxes for families in certain income brackets if the bonds are used to fund education.

Mutual Funds pool investors' funds in a managed portfolio of securities; either stocks, bonds, money market funds or a combination of these. There is a great variety of mutual fund options which are targeted for different growth or income objectives, investment timeframes and levels of risk. Mutual funds involve greater risk than traditional bank services, however, the potential for greater returns can be substantial.

Some "no-load" mutual funds do not charge fees. Others may require a "load" or fee to set up accounts, annual or monthly maintenance fees or "surrender" charges when accounts are closed.

Stocks offer savvy investors potential for long term investment growth and income. Market knowledge and strategic planning are key to sound investment decisions. Available through brokerage firms, trading fees are based on purchase and sale of stocks and on whether the broker provides investment advice or is a "discount broker" that only transacts trades.

Zero Coupon Bonds available from brokerage firms, are purchased at a "discount" from the face value. "Zeros" are redeemed later at face value or "par" upon maturity. You'll know exactly what your investment will be worth and can time the maturity to coincide with college. The risk with zeros is that the value can fluctuate with market changes and you may have a loss or gain if you have to redeem before the maturity date. Although you don't actually receive earnings until maturity, estimated earnings may be subject to annual income tax.

Pre-paid Tuition Plans are available in some states. Generally, you contribute an amount that is based on current investment rates and tuition costs, and the plan covers your costs at cetain schools when it's time to start college. If a student later decides to attend another college, principal is returned but typically with minimal earnings. Check with the Department of Education for your state for details, if you think this type of plan could work for your family.

Insurance Companies offer a variety of investment plans including annuities. Funds invested in an annuity can grow and build up cash value tax-deferred until withdrawals begin. "Permanent" life insurance is another option which provides cash value accumulation. This cash value can be tapped to help fund education, however withdrawals may be taxable. Your insurance agent is a good source of information on these plans.

Company Retirement Plans will, in some cases, allow you to withdraw funds or take loans for education. Check with your employer to see if your 401K or other retirement savings plan permits withdrawals or loans for education and, if so, under what terms.

Students Who Work Part-time or During Summer Vacations can really help a college fund grow. Adding cash gifts or part of an allowance to college savings increases your fund even more. This not only helps with college expenses but also teaches a valuable skill-saving for a goal.

KEEP YOUR COLLEGE FUND IN A SPECIAL PLACE

Setting up a special account or accounts just for the purpose of saving for college can help focus on your goal, and you'll see your college fund grow with each statement.

WHEN SAVINGS AREN'T ENOUGH

WHAT IS FINANCIAL AID?

Financial aid is money that is given, lent or paid to you so you can pay for college. And, despite what you may have heard, financial aid is available to more students than ever before. The single largest source of financial aid is the federal government, followed by state governments, colleges and private organizations. This section describes different options and where to look for them. The next section tells you how to apply for aid.

Basically, financial aid falls into three categories:

Gift-Aid, Grants and Scholarships — These programs provide funds which do not have to be repaid. The federal government funds two of the largest higher education grant programs — the *Pell Grant program* and the *Supplemental Education Opportunity Grant (SEOG) program.* These grants are generally reserved for the most needy students.

Work-Study Programs — Through work-study, students can earn money while they are in college by working part-time on campus or in the community. These programs can be college or government sponsored.

Education Loans — Education loans are made to students and/or parents, and must be repaid, usually with interest. Education loans can be government sponsored and are available from private sources.

The largest federal loan programs are:

Federal Stafford loans — low interest rate loans made to undergraduate and graduate students attending accredited colleges and universities at least half-time.

Students can qualify for a *subsidized Stafford loan* if they demonstrate financial need as determined by a federal formula. With a subsidized Stafford loan, the federal government pays the interest on the loan while the student is in school or during other specified periods.

Students who do not qualify for subsidized Stafford loans, can get *unsubsidized Stafford loans,* regardless of family income. With an unsubsidized Stafford loan, students are responsible for the interest during in-school and deferment periods. They may defer making payments until after they graduate or leave school, in which case the accrued interest is added to the loan principal, which increases the total repayment amount. Students who do not qualify for the full subsidized Stafford loan amount may receive an unsubsidized Stafford loan for the balance, up to the applicable Federal Stafford limit. See the detailed chart on pages 15 and 16.

Federal PLUS loans enable parents to borrow for each dependent who is enrolled in an accredited college or university at least half-time. Parents may finance up to the full cost of their student's education each academic year, less grants and other financial aid the student receives.

Parents do not have to prove financial need, however, credit checks are required. PLUS borrowers usually must start making payments within 60 days of receiving loan funds.

Federal Perkins loans are low interest loans for undergraduate and graduate students who have demonstrated exceptional financial need.

In addition, the following types of loans may be available to you:

Institutional loans are offered by some colleges and universities. Eligibility and loan characteristics are established by each institution. Ask the financial aid office at colleges you are considering if any programs are available, and how to apply.

Private loan programs, or those not sponsored by a government agency, are available to parents and, in some cases, students from banks, guaranty agencies (institutions that insure student loans), education loan organizations and other sources. The organization offering the loan establishes loan characteristics and eligibility requirements.

WHERE TO LOOK FOR AID

Your first stop is the **Financial Aid Administrator's Office** at colleges in which you're interested. An FAA will be able to provide important information about federal programs and programs at the college.

For students in high school, the **Guidance Counselor's** office is the place to start. There you'll find information about federal, local and state programs. Many schools have publications or computer programs that you can use for scholarship searches and for sources of other aid.

Your **public library** may also be a good source for publications about financial aid, grants and even computer search programs for scholarships.

Contact your **State Education Agencies** for higher education and also agencies responsible for elementary and secondary education. You can find out how to contact your state agencies through your guidance or financial aid office or by calling 1-800-4-FED-AID.

Some **merit-based** government programs to consider include:

- *State Student Incentive Grants (SSIG)* — funded by individual states and the U.S. Department of Education.
- *Robert C. Byrd Honors Scholarship Program (Byrd Program)* — an award for

academic achievement.

- *National Science Scholars Program (NSSP)* — for college bound high school seniors who have high achievement in sciences.
- *Paul Douglas Teacher Scholarship Program* — available in some states for good students who want to pursue teaching careers.

Check out **private sources** of scholarships or grants in your community. Funds may be available based on achievement, religious affiliation, ethnicity, memberships, hobbies or special talents. Contact employers of parents, students and other relatives to see if they, their unions or professional associations sponsor any aid programs. Contact your church, local foundations, civic groups, your local Veteran's Administration or other community organizations – they may have programs and you may qualify.

High school grads can earn education awards through a new federal program called **National and Community Service**. By working before, during or after college, students can fund education or repay student loans. Call 1-800-942-2677 to get more information.

And don't forget organizations affiliated with your **special interest**. For example, history buffs could contact the American Historical Association, or a student interested in studying law could check out the American Bar Association for aid programs. Your public library will probably have directories of associations to investigate.

APPLYING FOR FINANCIAL AID

A STEP-BY-STEP GUIDE

When you follow these guidelines, you are sure to be considered for federal aid, and most state and institutional aid as well. Keep in mind that you must reapply for aid each year you are in school, or when you transfer to a different college.

Timelines and accuracy are the watchwords when it comes to applying for financial aid. Incomplete forms submitted late can greatly reduce your chances of getting the financial aid you need to go to college.

Before you get started, get organized. Keep a file with all the information you gather about various aid programs. Set up a calendar, noting application deadlines and important requirements, then follow your schedule to the letter. Keep copies of all applications you file and the dates you filed them.

- ☐ First, ask your high school guidance office for a **Free Application for Federal Student Aid (FAFSA)**. You can also get this form by calling 1-800-4-FED-AID. Then, check with the financial aid offices of the colleges you're interested in to see what other forms or applications are required for state or institutional aid programs.
  Note: Students who have applied for financial aid in previous years may qualify to use a shorter form, the *Renewal FAFSA*. Check with your financial aid advisor.
- ☐ Complete the FAFSA. Make sure you complete the form correctly, and that both student and parent signatures are included. If your form is not completed correctly, it will be returned to you — which can result in delays.
- ☐ Submit your completed FAFSA directly to the processor designated on the form as soon as you can after January 1. Aid is generally awarded on a first come first served basis, and a late application may cause you to miss out on available aid.
- ☐ Approximately 4 weeks after you submit your FAFSA, the processor will send you a **Student Aid Report (SAR)**. The SAR will tell you your **Expected Family Contribution (EFC)** — how much your family is expected to pay towards the cost of college. Make sure the SAR is accurate, then mail it to the colleges you are considering. If you need to make corrections to the SAR, return Part 2 of the SAR to the processor's address noted on the report.
- ☐ Financial aid administrators at the colleges where you have been accepted will verify the information from your FAFSA, determine your aid eligibility, and then send you a **financial aid award letter**. This letter will state the amount of aid for which you are eligible and the types of aid (grants, loans and/or work-study) that make up your aid package.
- ☐ If the student has been accepted at more than one college, compare the different schools' aid packages and academic programs to select the college that best meets your family's needs and the student's education goals.
- ☐ Determine if your family can cover costs when you combine the aid package, current earnings and savings. If there is any shortfall, the next step may be to apply for a parent education loan (PLUS).

EXPECTED FAMILY CONTRIBUTION

Expected Family Contribution helps determine your eligibility for financial aid. Factors such as family size, number of students in college, what the family has in savings, the family's current earnings and what prospects there may be for gift-funding all play into determining Expected Family Contribution — what the family is expected to contribute to a child's higher education expense each year.

Estimated Family Contribution =
Student's Contribution + Parents' Contribution

Student's Contribution =
Contribution from Assets + Contribution from Income
If the student earned less than $1,750 and has no assets, the student contribution is $0. Otherwise, 35% of student's assets and 50% of income over $1,750 goes toward the student's contribution.

Parents' Contribution =
Contribution from Assets + Contribution from Income

The following chart is a **guide** to estimating parents' annual contribution based on the 1995-96 Federal Methodology. This information assumes a family with two parents, one parent working, and one undergraduate family member in college. This information assumes also that the family has no unusual circumstances and has standard deductions on their U.S. income taxes. "Net Assets" *excludes* primary place of residence and family farms.

ESTIMATING YOUR FINANCIAL AID ELIGIBILITY

Once you've determined your Estimated Family Contribution, find your current or future college cost on page 2. When you subtract Expected Family Contribution from your college cost estimate, the result will be an estimate of your family's annual need or aid eligibility.

Cost of Education
\- Expected Family Contribution
= Aid Eligibility or Need

ESTIMATED FAMILY CONTRIBUTION

NET ASSETS	$25,000			
FAMILY SIZE:	3	4	5	6
1994 INCOME BEFORE TAXES: $ 20,000	$ 496	$ 0	$ 0	$ 0
$ 30,000	2,021	1,385	786	112
$ 40,000	3,926	3,037	2,327	1,638
$ 50,000	6,767	5,460	4,375	3,370
$ 60,000	9,416	8,206	7,076	5,786
$ 70,000	11,925	10,715	9,585	8,296
$ 80,000	14,865	13,655	12,525	11,235
$ 90,000	17,805	16,595	15,465	14,175
$100,000	20,706	19,531	18,405	17,115

NET ASSETS	$50,000			
FAMILY SIZE:	3	4	5	6
1994 INCOME BEFORE TAXES: $ 20,000	$ 789	$ 152	$ 0	$ 0
$ 30,000	2,330	1,678	1,079	405
$ 40,000	4,379	3,423	2,660	1,931
$ 50,000	7,393	6,086	4,899	3,787
$ 60,000	10,042	8,832	7,702	6,412
$ 70,000	12,551	11,341	10,211	8,922
$ 80,000	15,491	14,281	13,151	11,861
$ 90,000	18,431	17,221	16,091	14,801
$100,000	21,332	20,157	19,031	17,741

NET ASSETS	$75,000			
FAMILY SIZE:	3	4	5	6
1994 INCOME BEFORE TAXES: $ 20,000	$ 1,449	$ 812	$ 212	$ 0
$ 30,000	3,121	2,357	1,739	1,065
$ 40,000	5,596	4,416	3,503	2,644
$ 50,000	8,803	7,496	6,216	4,874
$ 60,000	11,452	10,242	9,112	7,822
$ 70,000	13,961	12,751	11,621	10,332
$ 80,000	16,901	15,691	14,561	13,271
$ 90,000	19,841	18,631	17,501	16,211
$100,000	22,742	21,567	20,441	19,151

Source: The College Scholarship Service (CSS), The College Board.

MAKING SENSE OF YOUR FINANCIAL AID PACKAGE

Aid packages may differ in amount and in the combination of gift aid, work-study and loans that are offered to you. Once all the colleges listed on your FAFSA have sent you an awards letter, take some time to evaluate how each college meets your financial needs. These examples show that the financial aid package can go a long way toward making even the most costly education affordable.

Two sample financial aid packages for the same student:

	COLLEGE A	COLLEGE B
Total Cost of Attendance	$9,285	$19,762
Estimated Family Contribution	4,063	4,063
Aid Eligibility	$5,222	$15,699
AID PACKAGE		
PELL Grant	$ 0	$ 0
State Scholarship	0	2,500
Institutional Grant	2,400	6,900
SEOG	0	0
Work-Study	0	2,220
Perkins Loan	0	1,000
Stafford Loan	2,625	2,625
Total Aid	**$5,025**	**$15,245**
Amount Not Covered by Aid	**$ 197**	**$454**

To meet your Estimated Family Contribution or fund any amount not covered by your financial aid package, look at PLUS loans (which allow parents to borrow up to the full cost of attendance), home equity loans and other private loan sources.

BORROWING FOR COLLEGE

Although your financial aid package may indicate that you are eligible for education loans, you will not automatically receive loans — you must apply for them. Whether the loans you apply for are funded by the government or a private institution, be sure you understand ...

THE TRUE COST OF EDUCATION LOANS

- *The interest rate.* Most education loans have a variable rate, and have an interest rate cap. Determine if the rate is indexed or linked to a published rate like treasury bill rates and how often the rate changes. Ask what your total interest charges and total indebtedness will be.
- *Fees.* Most loans have an origination fee. For federal loans this fee goes to the federal government to offset costs. There may also be a guaranty fee, which goes to a guaranty agency for insuring the loan. These fees are deducted from the principal amount that you borrow.
- *In-school payments.* Will you have to make payments while you are in school? Requirements vary for different loan types.
- *Federal interest benefits.* On some loans the government pays the interest during in-school and deferment periods.
- *Grace period.* In some cases there is a grace period after a student leaves school, during which no payment is required.

HOW FEDERAL EDUCATION LOANS WORK

First check to see if the college that you're planning to attend participates in the Federal Family Education Loan Program (FFELP) or the Federal Direct Student Loan Program (FDSLP). Stafford and PLUS loans are available through both programs, and loan characteristics are essentially the same. With the FFELP, your lender is a financial institution, your school or other lender. Under the FDSLP, the U.S. Department of Education is your lender.

When it's time to repay, there are a wide variety of options available to make repayment more affordable and more convenient. Features may vary depending on the holder or servicer of your loan, so ask your school or lender, before you borrow, what your repayment options will be.

EDUCATION LOAN CHARACTERISTICS

PROGRAM	FEDERAL PERKINS LOAN	SUBSIDIZED STAFFORD LOAN*
DESCRIPTION	A loan for students A low-interest loan funded by the federal government and administered by the college.	A loan for students A low-interest loan funded and administered by a lender. For FFELP, the lender is a financial institution or the college. For FDSLP, the U.S. Department of Education is the lender.
ELIGIBILITY	U.S. citizen or permanent resident. Full or part-time undergraduate or graduate students. Priority is offered to Pell Grant recipients. Need based.	U.S. citizen or permanent resident. Full or part-time undergraduate or graduate students. Need based.
AMOUNT	Undergraduate: $3,000 per year to $15,000 maximum. Graduate: $5,000 per year to $30,000 maximum.	Year 1 $2,625 Year 2 $3,500 Year 3 & 4 $5,500 Graduate $8,500
INTEREST RATE	5%	Varies Annually Based on 91 day T-bill rate plus 3.1% capped at 8.25%
REPAYMENT TERM	Up to 10 years	Up to 10 years
MINIMUM REPAYMENT	$480 per year ($40 per month)	$600 per year ($50 per month)
INTEREST SUBSIDY	Student pays no interest while in school or during any grace period.	Student pays no interest while in school or during any grace period.
REPAYMENT BEGINS	Following 9 months grace period after leaving school.	Following 6 months grace period after leaving school.
TOTAL ORIGINATION OR INSURANCE FEES	None	4%

**Federal Family Education Loans (FFELP). Characteristics of Federal Direct Student Loans (FDSLP) are essentially the same.*

UNSUBSIDIZED STAFFORD LOAN*	FEDERAL PLUS LOAN*	PRIVATE OR INSTITUTIONAL LOAN PROGRAMS
A loan for students A low-interest loan funded and administered by a lender. For FFELP, the lender is a financial institution or the college. For FDSLP, the U.S. Department of Education is the lender.	A loan for parents A loan to parents to pay for a student's education. Funded and administered by a lender. For FFELP, the lender is a financial institution or the college. For FDSLP, the U.S. Department of Education is the lender.	Loans for parents or students Programs which are available locally or nationally through private organizations, lending institutions or colleges. Programs are funded and administered by the sponsoring organization.
U.S. citizen or permanent resident. Full or part-time undergraduate or graduate students. Non-need based.	U.S. citizen or permanent resident. Parents of full or part-time undergraduate students. No adverse credit history.	Usually based on credit criteria as established by the sponsor. Other requirements for eligibility may be established depending on program.
Dependent / Independent Year 1 $2,625 / $6,625 Year 2 $3,500 / $7,500 Year 3 & 4 $5,500 / $10,500 Graduate NA / $18,500 (less amount of subsidized Stafford)	Up to the total cost of the student's education, less other aid received.	Established for each program.
Varies Annually Based on T-bill rate plus 2.5%during in-school, grace, or deferment, otherwise T-bill rate plus 3.1% capped at 8.25%.	Varies Annually Based on 52 week T-bill rate plus 3.1% capped at 9%	Established for each program.
Up to 10 years	Up to 10 years	Varies by program.
$600 per year ($50 per month)	$600 per year ($50 per month)	Varies by program.
Not applicable	Not applicable	Check with program sponsor.
Following 6 months grace period after leaving school.	60 days after funds are disbursed.	Check with program sponsor.
4%	4%	Established by sponsor.

ESTIMATING YOUR MONTHLY PAYMENTS

Use the Repayment Estimator table below to *estimate* your monthly loan payments when it's time to repay.

REPAYMENT ESTIMATOR

	7.00%			8.00%			8.25%		
BALANCE AT REPAYMENT	PAYMENT	PAYOFF MONTH	INTEREST*	PAYMENT	PAYOFF MONTH	INTEREST*	PAYMENT	PAYOFF MONTH	INTEREST*
$ 3,000	50	75	703	50	77	844	50	78	882
6,000	70	120	2,360	73	120	2,736	74	120	2,831
10,000	116	120	3,993	123	120	4,559	123	120	4,718
20,000	232	120	7,866	243	120	9,119	245	120	9,437
50,000	581	120	19,665	607	120	22,797	613	120	23,592
100,000	1,161	120	39,330	1,213	120	45,593	1,227	120	47,183

* *Total interest over the life of the loan.*
Chart for purposes of estimation only, exact amounts are dependent on specific loan data.
Chart does not include capitalization of interest or reflect variable rates.

HOW YOU GET THE MONEY

Lenders provide loan funds by check or electronically to your college in two installments. Loan funds are first applied to your school account, which typically includes tuition, fees, room and board, then you'll receive any remaining funds from your college.

If it's your first loan and your first year at college, your lender will not send the money to your college until 30 days after the first day of enrollment. In this way, students who don't start classes or withdraw within the first 30 days won't have to repay a loan.

CHOOSING A FFELP LENDER

Most colleges and universities participate in the Federal Family Education Loan Program (FFELP), and while it is true that all FFELP loans have the same loan characteristics and interest rates, repayment options vary by lender. And, although repayment may seem like a long way off, choosing your lender carefully before you borrow can mean a less expensive and more manageable loan when it's time to repay. Your financial aid office can help you make this important decision.

PLANS TO MAKE PAYMENTS MORE MANAGEABLE

To help explain the repayment plan alternatives that may be available to you, below are examples of repayment plans available to borrowers whose loans are sold to Sallie Mae, a company that buys and services education loans.

Standard Repayment Account With a Standard Repayment Account, you make principal and interest payments each month throughout your loan term. You'll pay the least amount of total interest using the Standard Repayment Plan.

Graduated Repayment Plans Graduated Repayment Plans, like *Sallie Mae's Select Step® Account,* let you make reduced payments in the early years of repayment and still pay off your loans within the standard 10-year repayment term. Initial interest-only monthly payments can be more than 40% lower than the payments you'd make with Standard Repayment. But, because the principal is not paid down as quickly as with Standard Repayment, you will pay more interest over the life of your loans.

Loan Consolidation Loan Consolidation, with plans like *Sallie Mae's SMART LOAN® Account,* gives you the lowest monthly payments for the longest period. Loan consolidation offers initial interest-only payments that can be more than 40% lower than Standard Repayment, and the repayment term can be extended up to 30 years. With loan consolidation you can combine all your eligible loans into a single loan with a single monthly payment. A longer repayment term and lower payments will increase the total cost of your loan.

Income Sensitive Repayment With this income-based repayment plan, payments are a percentage of your monthly gross income. You must reapply every year, and payments are adjusted annually to reflect any changes in income.

Prepayment All federally sponsored loans allow you to prepay part or all of your obligation at any time during the life of the loan without penalty. Prepaying can greatly reduce the total cost of your loan.

You Decide

Some borrowers want to pay off their loans at the lowest cost; others prefer lower payments in the early years of their careers; still others need long-term relief because of high debt. You will pay more interest with graduated repayment, income sensitive repayment or loan consolidation — because you are paying off your principal balance more slowly — however, one of these options may offer the help you need to manage budget more successfully.

COMPARING REPAYMENT OPTIONS*

PROGRAM	STANDARD REPAYMENT ACCOUNT	SELECT STEP® ACCOUNT
OESCRIPTION	Offers the lowest total loan cost with both principal and interest due each month throughout the loan term. Payments on variable and blended (8%/10%) rate loans may vary due to interest rate changes.	Provides short-term payment relief through low, initial interest-only payments, followed by principal and interest payments.
ELIGIBLE LOAN TYPES	Stafford, SLS, PLUS	Stafford, SLS, PLUS
REPAYMENT TERM	Up to 10 years.	Up to 10 years.
INTEREST RATE	Interest rate terms are the same as disclosed at loan disbursement unless changed by law.	Interest rate terms are the same as disclosed at loan disbursement unless changed by law.
PAYMENTS	Principal and interest payments throughout repayment. (Payments on variable rate loans vary annually with interest rate changes.)	Borrowers may choose 2 or up to 4 years of interest-only payments followed by principal and interest payments. Reduces initial monthly payments by more than 40%.
COST	No fee. To keep total interest payments to a minimum, borrowers can make advance payments without penalty.	No fee. The total interest cost may be higher than with Standard Repayment due to smaller initial monthly payments. To keep this cost to a minimum, borrowers can make advance payments without penalty.
MONTHLY PAYMENT EXAMPLES IF YOU OWE $10,000	**Assumes 8.25% interest rate:** Throughout Term $123 per month in years 1 - 10 **$14,718 total payments**	**Assumes 8.25% interest rate:** 2 Years Interest-Only $69 per month in years 1 - 2 $143 per month in years 3 - 10 **$15, 344 total payments** 4 Years Interest-Only $69 per month in years 1 - 4 $177 per month in years 5 - 10 **$16,012 total payments**

ment options vary by lender.

INCOME SENSITIVE REPAYMENT ACCOUNT	SMART LOAN® ACCOUNT
Offers payment relief with payments that are a percentage of gross monthly income.	Gives borrowers long-term relief and convenience by consolidating student loans into one new loan with one monthly payment. There are opportunities to make reduced payments in the early years and extend the term. Reduces payments by as much as 40% in the early years of repayment.
Stafford, SLS, consolidation loans	Stafford, SLS, Perkins (NDSL), HPSL, NSL, PLUS, and Federal Consolidation Loans
10-15 years (Stafford, SLS) 12-35 years (consolidation loans)	12-30 years. The term increases based on loan balance.
Interest rate terms are the same as disclosed at loan disbursement unless changed by law.	Interest rate is fixed and equal to the weighted average rate of the loans consolidated, rounded up to the nearest whole percent.
Payments are a percentage of gross monthly income (between 4% and 25%) and must cover accrued interest. If borrowers choose a payment that is less than standard principal and interest they may receive annual extensions of the repayment term for up to a total of 5 years. Consolidation accounts have a second period of up to five years where payments may be as low as interest-only, but without a corresponding extension of term.	Choose from: 1) 2 years of interest-only payments followed by level payments, 2) 4 years of interest-only payments followed by annual step-ups and level payments beginning in year 7, 3) Income Sensitive payments, or 4) level payments for the entire term.
No fee. The total interest cost may be higher than with Standard Repayment due to smaller initial monthly payments and an extended term. To keep total loan cost to a minimum, borrowers can make advance payments without penalty.	No fee. The total interest cost is higher than with Standard Repayment due to the extended repayment term and/or low initial payments. To keep this cost to a minimum, borrowers can make advance payments without penalty.
Assumes 8.25% interest rate: **On $20,000 annual income**** 4% of income $69 per month in year 1 $123 per month in years 2 - 11 **$15,543 total payments** On $30,000 annual income** 4% of income $100 per month in year 1 $118 per month in years 2 - 11 **$15,345 total payments** **Also assumes one year of Income Sensitive Repayment followed by 10 years of Standard Repayment. Additional years of Income Sensitive Repayment may cause payment amounts to fluctuate, and may increase total loan cost.	**Assumes 9% interest rate:** 2 Years Interest-Only $75 per month in years 1 - 2 $109 per month in years 3 - 15 **$18,799 total payments** 4 Years Interest-Only $75 per month in years 1 - 4 $89 per month in year 5 $107 per month in year 6 $127 per month in years 7 - 15 **$19,710 total payments** **Income Sensitive Repayment** Payment amount fluctuates yearly based on income. Total may be higher than with Standard Repayment due to lower initial payments and an extended repayment term. **Level Payment** $101 per month in years 1 - 15 **$18,257 total payments**

PROGRAMS THAT HELP SAVE MONEY

Some loan holders reward borrowers for paying on time or paying electronically because on-time and electronic payments keep servicing costs down and make loans easier to administer. Be sure to find out whether your loan holder offers programs that will save you money. Following are descriptions of three Sallie Mae programs and some examples of the savings available:

The **Great Rewards® Program** enables *Stafford loan* borrowers who make their first 48 scheduled monthly payments on time to receive an interest rate reduction of two full percentage points for the remaining term of the loan.

The **SMART REWARDS® Program** is a similar program for SMART LOAN® (consolidation loan) borrowers. When borrowers make their first 48 scheduled payments on time, they are rewarded with an interest rate reduction of one full percentage point for the remaining repayment term.

The **Great Returns℠ Program** helps heavily indebted Stafford borrowers. When borrowers make their first 24 scheduled payments on time, a credit is given equivalent to the 3% federal origination fee (less $250) paid on their Stafford loans.

Sallie Mae's **Direct Repay℠ Plan** lets borrowers authorize automatic transfers of funds from checking or savings accounts to cover monthly education loan payments. Borrowers receive a 1/4% interest rate reduction on their loan as long as they make payments through the plan.

IF YOU OWE THIS	SAVINGS UNDER DIRECT REPAY:	SAVINGS UNDER GREAT RETURNS:	SAVINGS UNDER GREAT REWARDS:	SAVINGS UNDER ALL THREE PLANS*:
$7,500	$181	$0**	$433	$589
$10,000	$242	$97	$578	$866
$20,000	$483	$671	$1,156	$2,137
$60,000	$1,450	$2,961	$3,467	$7,216

Calculations assume the borrower pays a 3% origination fee, the loan has an 8.25% interest rate, and a 10-year repayment term.

**Savings under all three benefits programs are applied to loan principal, resulting in faster loan repayment. When all benefits are earned, principal outstanding declines more rapidly than when individual benefits are earned. As a result, the sum of individual benefits will not total to the combined benefits column.*

***Not eligible for Great Returns. Students must borrow at least $8,333 to earn the credit.*

Chart for purposes of estimation only, exact amounts are dependent on specific loan data.
Stafford loans that have a first disbursement on or after July 1, 1995 are eligible for the Great Returns benefit. Stafford loans disbursed on or after January 1, 1993 or entering repayment status on or after July 1, 1993, are eligible for the Great Rewards benefit. You are eligible for SMART REWARDS if you took out a SMART LOAN Account on or after June 1, 1993. To qualify for these benefits, eligible loans must be owned by Sallie Mae and serviced by Sallie Mae or a participating third-party servicer throughout their repayment period. Sallie Mae reserves the right to discontinue these programs at any time without notice. Changes to the Great Returns, Great Rewards and SMART REWARDS Programs, if any, will not affect loans which previosly qualified for these benefits.

TIPS ON MANAGING YOUR LOANS

A Special Message to Students

Once you have a student loan, and are in school and attending classes, you'll have many new responsibilities. Organization is essential to successful student loan management.

- Keep a file specifically for your education loan information.
- Retain copies of all your loan documents, related correspondence and records of any payments you might make.
- Include your loan account number in all correspondence with your lender and on all payment checks.
- Keep notes of your loan-related phone conversations and keep them in your file, too.
- Open and read all mail about your education loan. It is quite possible that your loan will be sold to a secondary market like Sallie Mae, and you'll need to stay up to date on any changes in the administration of your loan.

GETTING READY FOR COLLEGE

HIGH SCHOOL JUNIOR YEAR

FALL:

Draw up a list of schools that you are interested in. Write or call these schools to get catalogues and review them.

Find out about and attend College Fairs in your area or College Nights sponsored by local high schools.

SPRING:

Work on fine-tuning your list of colleges down to a reasonable number, and have at least one "safety" college where you are fairly certain that you will be accepted.

Schedule visits to the colleges on your list.

HIGH SCHOOL SENIOR YEAR

FALL:

Set up a file, a drawer or any spot where you can keep all your college application information organized and in one place. Keep copies of all your applications.

Ask several teachers to write recommendations.

Mail your college applications well before the application deadline. Arrange for your high school guidance office to send high school transcripts to the appropriate colleges.

WINTER:

Collect the prior year's year-end information such as tax forms, bank statements and other financial information for financial aid forms.

Complete the FAFSA financial aid application and mail it as soon as you can after January 1. Complete other aid applications according to specified deadlines.

SPRING:

College acceptances usually come in before May 1. Evaluate your options with your parents and make your selection. Let the schools that you don't plan to attend know your decision. That will free up a place for another student.

SUMMER:

Save money from your summer job, have a great summer and look forward to an exciting college experience!

COLLEGE ANSWER℠ SERVICE 1-800-222-7183

College Answer is a service Sallie Mae offers college-bound students and their parents. College Answer representatives can provide information on college cost, financial aid programs available, financial assistance eligibility, and the application process. Also, College Answer information center representatives can provide assistance in completing and submitting the Free Application for Federal Student Aid (FAFSA).

This information is available on the World Wide Web at:
http://www.salliemae.com

SallieMae

Helping make education possible®

This information was provided for you by Sallie Mae. Sallie Mae is a financial services corporation that specializes in funding education, and currently funds about 40% of all insured student loans outstanding. With education loan servicing centers located around the country, Sallie Mae is headquartered in Washington, D.C.

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The information you requested