

## Money Matters:

# Making Sense of Student Loans

Student loans are more than just money at the beginning of the semester. The many varieties come with different benefits and responsibilities. And, if you're like a lot of graduate students, loans are one of your primary sources of income. So, it just makes sense to learn a little more about them.

### How Much Can You Get?

Because graduate students are older than traditional undergraduates, they often bring with them a more complex fiscal reality that may include mortgage payments, existing debt and/or dependents. Nevertheless, the federal government limits the expenses that it will cover through student financial aid, including loans, to the following: your tuition, your personal (not family) on- or off-campus living expenses, books and supplies, and limited personal expenses (again, only for you).

The University of Georgia determines an average cost of attendance based on yearly surveys of UGA graduate students. Including \$5,358 (in-state) or \$19,700 (out-of-state) for tuition and fees, \$800 for books and \$9,400 for federally covered living expenses (food, rent, utilities, transportation, etc.), the 2005 average cost of attendance for UGA graduate students amounted to \$15,558 for in-state students or \$29,900 for out-of-state students. It is this average cost of attendance on which the federal government bases its limit for loan amounts.

The "other" category that the Office of Student Financial Aid (OSFA) includes in its survey, but cannot include in its calculation of cost of attendance for the purpose of federal aid, found that graduate students' spending varied widely on expenses such as credit card payments, gifts and vacation or travel costs.

The bottom line is that you most likely cannot rely on student loans to finance 100 percent of your graduate education; you must look to other sources to cover additional expenditures. The Graduate School and many academic departments offer assistantships, which include tuition waivers and stipends. Other options include graduate fellowships, which don't have to be repaid and may or may not include a work component; tuition re-

imbursement offered by some employers, including UGA; the HOPE Promise Teacher Scholarship Loan Program; service-cancelable Stafford Loans or private scholarships. Visit the financial aid office (<http://www.uga.edu/osfa>) for databases in which you can search for such opportunities.

You can also get consumer loans, such as those offered by your local bank. These loans have higher interest rates and more restrictive repayment options than federal loans, and they may require collateral or a co-signer. Although the OSFA does not recommend these loans, they can provide students with information about them. And, of course, credit cards are always an option, but generally not a good one. The average graduate student owes \$5,800 in credit card debt. Making minimum payments, it can take 10 to 20 years to pay off such a balance. OSFA recommends graduate students keep one credit card for emergency use only, that they do not use the maximum available credit line and that they pay the entire balance as quickly and often as possible.

### Applying for Student Loans

You begin the process of applying for student loans by submitting a FAFSA, or Free Application for Federal Student Aid (<http://www.fafsa.ed.gov>). Ideally you should submit your FAFSA as soon as you receive your tax documentation for the previous year. Each year, some students will be selected to verify the information they submit and, if you are selected for verification, which slows down the process, it will be less problematic early in the year. Also, consideration for Perkins Loans, which represent a very limited source of funding, is on a first-come-first-served basis, and has generally all been distributed by April.

Eligibility for subsidized and Perkins Loans is determined by your financial need, which is represented on the FAFSA by your previous year's income. If you worked full time the year before you began graduate school, talk to an OSFA counselor, who can show you how to use your projected in-school income instead to establish your need level. Also, if you are going to study abroad, OSFA can increase your cost of attendance to make you eligible for higher loan amounts.

OSFA will offer you the total amount of loan money for which you are eligible, but you can choose to accept any

portion of that amount rather than the total. When you decide how much to borrow, take into account the income you will earn after graduate school and how much loan payments will affect your financial situation.

### **Time to Give Back: Repaying Loans**

The hard truth is that student loans must be repaid. Sure, you knew that, but congressional hearings in the early 1990s found that many students did not realize that they had to repay their loans. As a result, you will probably be required to undergo entrance and exit loan counseling. Not repaying your loans will affect your credit report, which means your ability to qualify for future loans; some employers also perform credit checks before hiring. And, the federal government can confiscate your federal and state tax returns.

Repayment plans for student loans are generally 10 years, but can be stretched as long as 30 years. With Federal Direct Loans, you will have a variety of payment plan options. Perkins Loans are repaid directly to the school you attended and do not offer a variety of repayment options.

If you receive money as a graduation gift or from another source, consider paying off your loans early, as it will save you a lot in interest. If you find that you have extra money while you're in school, save it for future payments or put

it toward the principle on your unsubsidized loans, not your subsidized, as the government is paying that interest for you. Federal Direct Loans offer a 1.5 percent rebate for making your first 12 payments on time. Some lenders will offer a small decrease in interest rates if you pay with automatic bank drafts.

Loans can be discharged if you acquire certain illnesses or become disabled. If the college you attended closes, you may be able to have your loans canceled. Nurses, police officers and Peace Corps workers are sometimes eligible for loan cancellation.

If you have more than one loan, or if your spouse also has loans, consider consolidation, which will allow you to make just one monthly payment instead of several. It will reduce your monthly payment and the total you repay. Find more on loan consolidation through Federal Direct Loans at <http://loanconsolidation.ed.gov>. ■

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*Based on the Graduate School seminar "Student Loans: More Than Just Money at the Beginning of the Semester" by Susan Little, director of the Office of Student Financial Aid. To view this seminar in its entirety, visit <http://www.grad.uga.edu>.*