

Congressman

Paul E. Kanjorski

Representing the 11th Congressional District of Pennsylvania

FINANCING YOUR EDUCATION

SECTION ONE: FEDERAL AID.....PAGE 1

- **Determining Your Eligibility**
- **The Free Application for Federal Student Aid (FAFSA)**
 - *Completing the FAFSA, receiving the Student Aid Report (SAR), and determining your Expected Family Contribution (EFC)*
- **Federal Grants**
 - *Federal Pell Grants, Supplemental Educational Opportunity Grants*
- **Federal Loans for Students & Parents**
 - *Students: Stafford & Perkins loans*
 - *Parents: Parent Loans for Undergraduate Students (PLUS)*
- **Federal Work Study Options**
 - *General Information on the Federal Work Study (FWS) program*

SECTION TWO: FEDERAL TAX BENEFITS.....PAGE 9

- **The Hope Scholarship**
- **Education Savings Accounts**

SECTION THREE: STATE AID.....PAGE 11

- **Financial Aid from the Commonwealth of Pennsylvania**
 - *General Information on the Pennsylvania Higher Education Assistance Agency (PHEAA)*
- **Commonwealth Grants**
 - *Description of the PHEAA's grant process*
- **Commonwealth Loans**
 - *Description of the PHEAA's Keystone PLUS, BEST, and EXTRA loans*
- **Commonwealth Work Study Options**
 - *General Information on the PHEAA Work Study Program*

SECTION FOUR: OTHER SOURCES OF AID & SUPPORT.....PAGE 14

- **General Information on Scholarship Opportunities**
- **Alternative Loan Options**
- **Expected Family Contribution Calculators**
- **College Search Support**
- **General Information on other federal publications & websites**

SECTION FIVE: STUDENT LOAN REPAYMENT OPTIONS.....PAGE 18

- **General Information on Repayment Options**
- **Federal Loan Repayment**
- **Other Loan Repayment**
- **Student Loan Consolidation**
- **Student Loan Deferment**
- **Student Loan Forgiveness Provisions**

CONGRESSMAN PAUL E. KANJORSKI HAS PREPARED THE
“FINANCING YOUR EDUCATION” GUIDE FOR INFORMATION PURPOSES
ONLY. BEFORE MAKING ANY EDUCATIONAL FINANCING DECISIONS, YOU
SHOULD CONSULT WITH YOUR HIGH SCHOOL GUIDANCE COUNSELOR,
THE FINANCIAL AID OFFICE AT THE INSTITUTION(S) OF HIGHER
EDUCATION WHERE YOU ARE APPLYING, OR WITH OTHER ACCREDITED
LENDERS TO CRAFT A PLAN TO MEET YOUR NEEDS.

INTRODUCTION

Education remains the best investment we can make in our future. Because higher levels of educational attainment lead, in most cases, to greater economic self-sufficiency, increased prosperity, and intellectual curiosity, interest in pursuing higher education has flourished in recent decades. More and more students are recognizing the benefits associated with extending their education beyond high school and, as a result, are eager to continue their education. Although the interest in pursuing post-secondary education has never been greater, the costs associated with higher education are, to say the least, daunting.

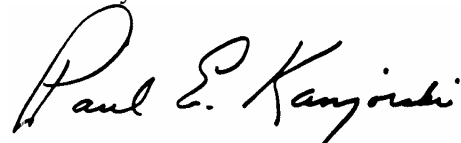
While the increased attendance at higher institutions of learning has helped to improve the country and its citizens, financing a post secondary education remains one of the largest obstacles facing students interested in a college education and their families today. In most cases, tuition and other associated fees increase across the country at a rate double that of inflation per year. Many families look at these considerable costs and conclude that they simply can not afford to attend college on their own.

Recognizing that these costs are insurmountable for most families, the federal government, state governments, and other public and private institutions have established

opportunities for students to receive funding for their higher education. These opportunities aim to assist students from all different backgrounds and socioeconomic statuses, each with their own unique interests and career goals.

Although the challenge of financing a post-secondary education can seem overwhelming, it is not unmanageable. It is my hope that the resources that I have outlined in this guide will help make the process easier to understand and more approachable to aspiring students and their families who seek federal, state, and private aid for further education. After reviewing these materials, please feel free to contact me if you have any questions, comments, or concerns.

Sincerely,



Paul E. Kanjorski
Member of Congress

FEDERAL AID

The United States Department of Education designed the federal student aid system to help students and their families finance secondary education. This federal aid comes in the forms of grants, loans, and work study.

Determining Your Eligibility

Eligibility for federal student aid is determined by financial need and several other factors. To be considered eligible, students must:

- ✧ have a high school diploma or General Education Development (GED) certificate, or pass a test approved by the US Department of Education
- ✧ be working towards a degree or certificate
- ✧ be enrolled in an eligible program
- ✧ be a US citizen or eligible non-citizen
- ✧ have a valid Social Security number
- ✧ register with the Selective Service if required
- ✧ maintain satisfactory academic progress once in school

Completing the **Free Application for Federal Student Aid (FAFSA)** is the first step in the student loan application process. *Students and their families apply for all types of federal aid through the FAFSA.* The application is free and all students and their families are encouraged to apply, whether or not they believe they meet the criteria for need. A copy of this form is available online at www.fafsa.ed.gov or at any college's financial aid office. This form must be completed between January 1 and June 30 of the year money will be needed.

After completing the FAFSA, applicants will be sent a **Student Aid Report (SAR)** which summarizes all information reported on the FAFSA as well as the **Expected Family Contribution (EFC)**, calculated by a formula, approved by law. The EFC is the amount of money that families are expected to put towards their child's education. A copy of the SAR is sent to all schools listed by the applicant on the FAFSA. These schools use the EFC to determine how much financial need is required for the student by subtracting that amount from the estimated cost of attendance. Cost of attendance is determined by schools based on a number of factors, including actual tuition and fees, cost of room and board (or living expenses for students who do not contract with the school for room and board), cost of books, supplies, and miscellaneous expenses (including a reasonable amount for a personal computer).

Once appropriate need is established, the individual schools will create a financial aid package that is then sent back to the student in the form of an award letter. This package includes information on any and all types of federal student financial aid. This aid may come in the form of grants, loans, or through the federal work study program. You and your family may choose whether or not to accept this aid by checking the appropriate boxes on the award letter. The letter then must be returned to the school to complete the aid process.

Grants, loans, and work study are all components of the financial aid package, but are offered through different programs. The following pages provide a description of the various types of federal financial aid.

Federal Grants

Federal grants, offered primarily to undergraduate students, are a type of financial aid that does not have to be repaid. The amount of federal grant offered to students *in their financial aid package* is based on financial need and enrollment status. The Federal Government offers two types of grants, **Federal Pell** and **Federal Supplemental Educational Opportunity Grants (FSEOGs)**.

Federal Pell Grants are awarded to students who demonstrate significant need. The amount awarded ranges from \$400-\$4000 (adjusted yearly) and will depend on financial need, status as a full or part time student, and plans to attend school for a full academic year or less. Individual academic institutions use this grant to apply to school costs, or may pay the student's family directly (usually by check). The school is required to notify the recipient in writing how much the award is for and payment dates (schools must disburse funds at least once a term).

Federal Supplemental Educational Opportunity Grants (FSEOGs) are awarded to students with excessive financial need after Pell Grants have been distributed. Recipients of Federal Pell Grants with the lowest EFCS will be awarded FSEOGs first. Amount of award ranges between \$100-\$4000 depending on time of application, financial need, and amount of funding available from the school. For FSEOGs and other "campus-based" types of aid, the individual academic institutions act as lenders to distribute a set amount of funds provided by the federal government. Not every school accepts FSEOGs; check with your school's financial aid office to see if they participate in this program. Payment for FSEOGs works in the same way as Federal Pell Grants.

Federal Loans

Loans are another type of federal aid that serves both parents and students who need additional aid beyond grants. Students may be eligible for **Stafford** or **Perkins Loans** while parents may apply for the **Parent Loan for Undergraduate Students (PLUS)**. Unlike grants, loans must be repaid.

Student loans, taken out in the student's name and considered responsibility of the student, are divided into two categories: **Stafford** and **Perkins** Loans. These loans are either considered to be **Federal Family Education Loan Programs (FFELP)**, loans provided by private lenders, or **Direct Programs**, loans provided by the government. The Federal Government also offers a loan to parents, known as the **Parent Loan for Undergraduate Students (PLUS)**, to meet student education costs not covered by the student's financial aid package.

The following pages review loans for both students and parents in greater detail. Amounts approved are the same regardless of the source of loans. In accepting these loans, students agree to both required entrance and exit counseling sessions, which are designed to help students understand their responsibilities and rights as a borrower, along with repayment planning.

Loans for Students

Stafford Loans may be provided to students in two forms: subsidized and unsubsidized. Subsidized loans are offered to students who demonstrate financial need. The amount for the loan is calculated based on information from the FAFSA form. For subsidized loans, the government pays all interest accrued while student is in school. Additional money may be supplied in the form of unsubsidized loans, which are available to all students. Unsubsidized loans require that students pay all interest (although interest may be deferred until graduation). Many students combine both of these loans to borrow the maximum amount permitted each year. The maximum amount that can be borrowed in the form of both subsidized and unsubsidized loans is regulated depending on the student's progress in school. The amounts are as follows:

- ✧ \$2625 for a first year academic student enrolled in a program of study that is at least a full year
- ✧ \$3500 for a second year academic student if the remainder of the academic program is at least a full academic year
- ✧ \$5500 if two years of study have been completed and the remainder of the program is at least a full academic year

Students may, however, borrow only enough to meet their determined financial need up to these maximum limits. Determined financial need which Stafford loans are used to finance is determined by subtracting all other financial aid from the cost of attendance. Students who demonstrate need exceeding these limits may only borrow the amount specified for each year.

Stafford Loans have variable interest rates (adjusted annually on July 1), but are capped at 8.25%. Information about repayment will be sent to students following graduation, withdrawal from school, or half-time enrollment, along with notification of the first payment due date.

Perkins Loans are available to students who demonstrate exceptional financial need. Like FSEOGs, Perkins Loans are campus-based and may not be available at all schools. Consult the specific institution to see if they participate. A Perkins Loan is a subsidized loan with a set interest rate of 5%, which is paid by the Federal Government while the student is in school and for nine months afterwards (with repayment due in 10 years).

The amount offered through a Perkins Loan *in the financial aid package* is determined by the school's financial office and may not exceed \$4000 per year.

The school will apply this amount to school charges or will pay the student directly in at least two payments during the academic year.

Loans for Parents

The **Parent Loan for Undergraduate Students (PLUS)** is available to parents to meet student education costs not covered by the student's financial aid package. PLUS Loans, like student Stafford Loans, are either considered FFELP or Direct, depending on the source of the funds.

To be eligible for a PLUS Loan, parents must fill out a PLUS Loan application, available from the financial aid office at their child's institution. This application generally requires a credit check; however, a parent cannot be turned down for having no credit history and the loan may be provided even if a parent's credit history does not pass. A friend or relative must be willing to endorse the loan or parents must demonstrate extenuating circumstances.

The maximum amount for these loans is equal to the cost of attendance for the specific institution minus any other financial aid received. The school will receive this money in at least two installments and will then apply the money to tuition and fees, room and board, and other school charges. If any loan money remains, it will be sent to parents by check or cash, unless it is authorized to be sent to students. All remaining money must be used for education expenses.

The interest rate for PLUS Loans is variable (adjusted annually on July 1), but is capped at 9%. The first payment of the loan is due within 60 days after the final loan disbursement for the year. Payment for both principle and interest begins while student is in school and continues for up to 10 years (or until full amount is repaid).

The responsibility for the PLUS Loan belongs to the parents. While students may agree to make payments on the loan, failure to make payments on time will be responsibility of parents.

Work Study

Federal Work Study (FWS) is also provided to students through part-time jobs, allowing students to earn money to help pay educational expenses while they are in school. The amount earned by students at these jobs may not exceed the total FWS award, determined in the financial aid package. Hourly rates must be at least equal to the federal minimum wage, but may be higher based on required skills or experience. Students are paid directly at least once a month.

More Information

There are many sources, both online and print, to help students and their parents learn more about federal aid resources. Here are two Federal sources to get you started with your search:

<http://www.fafsa.ed.gov>

This site provides the online FAFSA application and more detailed information about the form and the process of receiving aid.

<http://www.studentaid.ed.gov>

This site provides detailed information about eligibility, the application process, and descriptions of the various types of federal aid.

TAX BENEFITS

Through the workings of Congress, the Taxpayer Relief Act of 1997 was established to reduce the burden on working families of an expensive higher education, including those who may have income too high to qualify for need based federal aid. The Taxpayer Relief Act established two federal income tax credits for qualified postsecondary education expenses: the Hope Scholarship tax credit and the Lifetime Learning tax credit.

The Hope Scholarship and The Lifetime Learning Tax Credit

The Hope Scholarship was introduced to help ensure that students have access to the first 2 years of undergraduate postsecondary education. The Lifetime Learning credit and new tax deduction provide support for students in any year of study in undergraduate and graduate programs. Additionally, the Lifetime Learning credit and new tax deduction occupy a unique niche as widely available assistance for individuals taking occasional courses. Middle and upper-middle income individuals are the targeted beneficiaries of each of these higher education tax benefits.

As a result of this law, the Hope Scholarship allows college students or their parents to receive a federal tax credit for the first two years of post-secondary education worth 100 percent of the first \$1,000 of expenses and 50 percent of up to another \$1,000. In other words, when higher education expenses reach \$2,000, the credit is \$1,500. The credit is non-refundable, and expenses must be for the taxpayer, their spouse, or a dependent. Expenses include tuition and required fees, but not books nor room and board. The HOPE Scholarship is phased-out for families earning between \$80,000 and \$100,000 for joint returns, and \$40,000 and \$50,000 for individual returns.

For the second two years of college and for graduate and post-graduate education expenses, the 1997 tax law provides a non-refundable 20 percent credit for expenses of up to \$5,000. The maximum credit is \$1,000 for the years 1998 through 2002. Starting in 2003, this 20 percent credit rises to include expenses of up to \$10,000. The maximum creditable expense does not rise with the number of students. Eligible expenses include tuition and required fees.

Education Savings Accounts

The 1997 law also allows parents to establish education savings accounts for their children. These accounts allow taxpayers to make an after-tax contribution of up to \$500 per year for each child under the age of 18 in a savings account similar to an IRA. The principal and interest can then be withdrawn tax free from the account to help pay for a child's college or graduate education at the appropriate time.

Finally, the 1997 law also allows taxpayers of any income level to withdraw, without a penalty, up to 10 percent of a retirement IRA to pay for qualified higher education expenses, including those related to graduate-level courses, of the taxpayer, his or her spouse, and any child or grandchild. Additionally, this statute expands Pennsylvania's pre-paid tuition plans to allow parents to pay for future room and board expenses, as well as tuition, required fees, and books. Moreover, individual taxpayers with incomes less than \$40,000 and couples with incomes less than \$60,000 can deduct interest payments on student loans of up to \$2,500 in interest in 2001 as a result of this law.

STATE AID

In addition to federal aid, the Commonwealth of Pennsylvania offers additional resources to students and their families in the form of state grants, state loans, and state work study programs through the **Pennsylvania Higher Education Assistance Agency (PHEAA)**. PHEAA, established by the Pennsylvania General Assembly in 1963, offers state grants, loans, and work study to college students in Pennsylvania.

Grants

Grants are available from the Commonwealth of Pennsylvania, which may provide aid the federal government will not. To be eligible for these grants, students must be residents of Pennsylvania at least twelve months prior to enrollment in a PHEAA-approved institution.

The FAFSA form is the only necessary application for a state grant, but approval to send the form to the state must be indicated on the FAFSA. The FAFSA must be received by May 1 of the year of admission for all new and returning students and by August 1 for students applying to a business, trade, or technical school, a hospital school of nursing, or a two-year terminal program.

Loans

Parents who are residents of Pennsylvania or who have children attending any school approved by the Pennsylvania Department of Education are eligible to borrow money through a **KeystonePLUS Loan**. As part of the FFELP program, this loan operates through lenders of the Pennsylvania community and offers several benefits which the federal PLUS Loan does not, including increased access to account information and rebates on loan amounts. For more information about the KeystonePLUS loan and to *apply online*, you should consult: <http://www.pheaa.org/educationalloans/keystonePLUS.shtml>.

The Commonwealth of Pennsylvania offers two loan programs for undergraduate students, **KeystoneBEST** and **KeystoneEXTRA**. The **KeystoneBEST Loan** works as a special Stafford Loan program and as such is available in subsidized and unsubsidized forms. Like the KeystonePLUS Loan, KeystoneBEST uses local lenders and is available for resident students of Pennsylvania or out-of-state residents attending a Pennsylvania school. Percentage discounts and flexible payment options are available to students through a KeystoneBEST Loan. *Completion of the FAFSA form and approval for information to be sent to the state on that form is the only required application for a KeystoneBEST Loan.*

A **KeystoneEXTRA Loan**, in contrast, is a private loan program offered solely to resident students of Pennsylvania. While it is encouraged that all federal loan resources be used first, this loan offers deferred payment options and a 20 year repayment period. Students must be credit worthy or have a credit worthy cosigner to be eligible. For more information about the KeystoneEXTRA loan and the *separate application required*, consult: <http://www.pheaa.org/educationalloans/keystoneEXTRA.shtml>.

Work Study

The Commonwealth of Pennsylvania also offers a work study program separate from the federal work study program. This program provides career-related employment opportunities to students who attend school through an approved employer. To be eligible, students must be Pennsylvania residents attending a PHEAA-approved institution and must also be state grant or subsidized federal loan recipients. This program offers 10-15 hours per week during the academic year and full time summer work for students who qualify. *Application for this program occurs once the student is already attending school.*

At this time, students meet with a State Work Study Program (SWSP) employer to arrange a schedule and fill out the necessary paperwork. The fall semester deadline is October 1, the spring semester deadline is January 1, and the summer deadline is May 15. For more information and a list of State Work Study Program jobs, consult: <http://www.pheaa.org/workstudy/index.shtml>.

More Information

For more information about any of these programs and a list of other aid opportunities unique to Pennsylvania residents, consult the Pennsylvania Higher Education Assistance Agency at www.pheaa.org.

OTHER SOURCES OF AID & SUPPORT

Private and public organizations, as well as individual academic institutions provide more help for students seeking aid, both on the basis of need and independent of a student's financial situation.

Scholarships

Scholarships, in contrast to grants, are offered based on merit or other qualifications independent of need. Academic, athletic, and background based awards provide students opportunities to receive money for school based on their achievements or personal status. Public, private, and individual academic institutions offer these types of awards. Eligibility, deadlines, and amount awarded vary for each scholarship.

Before applying for any scholarship, it is important to be aware of the various scams circulating the Internet and e-mail. A list of helpful guidelines about avoiding these scams can be found at <http://www.finaid.org/scholarships/scams.phtml>.

There are many helpful search engines and websites designed to help students in their search for scholarships. Both www.fastweb.com and www.srnexpress.com provide free detailed searches and information about thousands of scholarships offered around the country. These scholarships may be awarded on the basis of family background, interests, community service, or interest in an area of study. PHEAA offers a similar scholarship search at: http://www.pheamentor.org/FinAid/scholarship_search/default.asp.

The military and its branches also award scholarships for students interested in serving during or following their college education. A list of these programs and other military aid-related resources can be found at <http://www.finaid.org/military/recruiting.phtml>.

The Commonwealth of Pennsylvania offers two specific scholarship programs for high achieving students and students interested in the quickly growing field of technology. For resident students in the top 5% of their graduating classes, PHEAA has established the Robert C. Byrd Honors Scholarship, which awards recipients \$1500 per year to attend an institution of higher education. Applications for this scholarship are due May 1 of the year the student enrolls in college. For students interested in pursuing careers in technology and working in Pennsylvania after graduation, PHEAA offers two

scholarships: the SciTech and Technology Scholarships. To be eligible for either scholarship, students must have at least a 3.0 grade point average and agree to work in the state of Pennsylvania for the number of years the scholarship was awarded after graduation. Applications must be received by December 31 of the year of the student's enrollment and can be found online at http://www.pheaa.org/specialprograms/nets/03_04nets.pdf.

For more information about both scholarships and additional aid for students with special criteria offered by the Commonwealth of Pennsylvania, consult: <http://www.pheaa.org/specialprograms/index.shtml>. You should also visit <http://www.wiredscholar.com/index.jsp>, a website administered by Sallie Mae, for additional information on scholarship opportunities and the college planning process.

Countless other public and private institutions offer scholarships to eligible students. Religious organizations, foundations, corporations, community organizations, and civic groups provide scholarships and other sources of need. While the above search engines locate thousands of these, there are many others available through organization-specific searches. Consult local resources for more information.

Individual academic institutions may offer scholarships based on a variety of factors. Applications separate from the admissions application and deadlines independent of admissions deadlines may exist. For more information, contact the school's financial aid office or its admissions program.

Private Loan Sources

In addition to, or separately from federal or state loans, students and their families may decide to take out private loans for various reasons. The most common private loan alternatives are home equity loans or lines of credit. The tradeoffs associated with these options include interest tax deduction, in-school deferments, and different interest rates. While some families may also decide to borrow from their retirement fund, this option is not generally recommended.

Sallie Mae offers a **Signature Student Loan Program** that offers high approval rates, tiered interest rates based on credit, and no payments while in school to undergraduate, graduate, and professional students. Sallie Mae recommends that this program become an option only after federal aid resources have been exhausted. For more information, consult <http://www.salliemae.com/apply/borrowing/signature.html>.

GATE Loan offers a similar loan program for students attending certain schools across the country. This outsourced loan works similarly to a Stafford or Perkins loan, and offers many of the same benefits including deferred payment, flexible interest rates, and a 13 year repayment period. For more information and a list of participating institutions, consult www.gateloan.com.

EstudentLoan is an online search engine that provides students and their families access to thousands of alternative loan options based on their own personal criteria. To use the Loan Finder search guide, consult www.estudentloan.com.

The sources mentioned here represent only a fraction of the available providers of private student loans. You should consult your guidance counselor or the financial aid office at your institution of higher education for more information on private lenders.

Other Sources of Support & Information

There are several other sources available to students and their families to assist them with the task of financing a college education.

Terminology

The terminology surrounding financial aid can be confusing and complicated. A glossary is enclosed in the Appendix to help students and their families decipher the acronyms and vocabulary associated with financial aid.

Determining your Expected Family Contribution

Several websites offer calculators that provide estimates of Expected Family Contribution and amounts for the different types of federal aid that could be received. While these calculations are only estimates, they may provide help for families beginning the application process. To access several of these calculators, consult www.finaid.org/calculators.

The College Search Process

PHEAA has established a separate website for Pennsylvania students and their families to access information on the entire college search process: www.pheaammentor.org. The PHEAA Mentor Program offers help in choosing a college, meeting admissions requirements, and financing a college education, along with answers to commonly asked questions and a career planning guide. It also provides easy access to financial aid information for all Pennsylvania schools, both public and private.

You should also visit <http://www.wiredscholar.com/index.jsp>, a website administered by Sallie Mae, for additional information on the college planning process. This website contains comprehensive information on preparing for college.

Additional General Information on Student Financial Aid

The United States Department of Education has published *The Student Guide*, which has complete, detailed information about federal aid and a number of other sources to consult for receiving money for college. The guide is enclosed and is also available online at: http://studentaid.ed.gov/students/publications/student_guide/index.html.

AFTER SCHOOL

While payment on loan principal and some interest can be deferred while a student is in school, the burden of beginning a repayment plan following graduation or departure from school can be considerable. For this reason, federal, state, and other aid organizations offer repayment programs, consolidation loans, deferment/forbearance options, and loan forgiveness programs.

Direct Federal Loan Repayment

To help students effectively repay their Direct Loans while maintaining a comfortable financial situation, four repayment plans are available through the federal aid system: **Standard**, **Extended**, **Graduated**, and **Income Contingent Repayment (ICR) Plans**.

Students who select a **Standard Repayment Plan** pay a fixed monthly amount of at least \$50 until their loans are repaid in full. The maximum repayment period is 10 years. This option allows students who are able to make a higher monthly payment to repay their loans in the shortest amount of time and, consequently, with the lowest amount of interest.

Students who select an **Extended Repayment Plan** must still pay a fixed monthly amount of at least \$50, but are able to repay their full loan in 12-30 years as opposed to 10. This plan allows students to make smaller monthly payments, but consequently oblige that students pay more interest over the longer repayment period.

Students may also select a **Graduated Repayment Plan**, under which their monthly payments increase over the repayment period, generally every 2 years. Initial payments must at least cover the amount of interest that accumulates on the loan from month to month or half the amount the student would pay under the Standard Repayment Plan, whichever amount is greater. However, monthly amounts will never increase to more than 1.5 times the amount the student would pay under the standard plan. This loan may be most beneficial to students who anticipate their income to increase over their repayment period.

The final repayment plan, the **Income Contingent Repayment (ICR) Plan**, is designed to help students who may be faced with financial hardship repay their loans. Each year, monthly payment amounts will be calculated based on the students **Adjusted Gross Income (AGI)**, family size, and the total amount of

the loan. To participate in this plan, the student must allow the Internal Revenue Service to report income information to the Department of Education in order to calculate the amount of monthly payments. For more information about how the ICR Plan, consult:

<http://www.ed.gov/DirectLoan/pubs/repabook/icr2.html>.

FFELP, State, and Other Loan Repayment

For students who have federal loans under the FFEL Program, information and repayment options may be obtained from the individual lender. As a state FFEL Program, repayment options for the KeystonePLUS Loan are available for parents from the individual lender. Similarly for students, KeystoneBEST and KeystoneEXTRA Loan repayment information can be obtained from the individual lender handling the loan. Loans from alternative sources may also offer various repayment plans to help students and parents; for information about possible plans, contact the individual lender.

Loan Consolidation

Consolidation loans combine multiple outstanding loans into one bigger loan from a single lender. This lender assumes responsibility to repay the individual collectors, and the new, single loan is repaid in monthly installments over a longer period of time and often with a lower interest rate.

American Educational Services (AES), a division of PHEAA, offers a **Network Consolidation Loan Program** that allows students or their families to consolidate all federal and state loans. To be eligible for this program, students must be out of school or enrolled less than half time and their loans must be in the grace or repayment periods. Parents may consolidate their loans at any time regardless of their student's enrollment status.

The interest rate on a Network Consolidation Loan is calculated by using the weighted average of the loans to be consolidated, rounded upward to the nearest 1/8 of a percent, not to exceed 8.25%. This rate is fixed for the duration of the repayment period, which may be as long as 30 years depending on the total amount of the consolidated loans. Benefits of a Network Consolidation Loan include no additional fees to borrowers, an extended and flexible repayment schedule, zero penalty for prepayment, and a retained subsidy status on all subsidized loans (interest payments that were subsidized by the government do not become the responsibility of the borrower).

It is important to remember that Network Consolidation Loans and other

such consolidation programs may decrease the amount of monthly payment and extend the repayment period, but will result in the borrower paying more interest than they would without consolidating. Students and their families should weigh the immediate benefit of a reduced payment versus paying more interest in the long run. Also, borrowers who decide to consolidate must forgo any grace period on their loans and begin consolidation repayment immediately. The decision to consolidate loans, while convenient and usually beneficial in the short run, may not always be the best for long term financial planning. Customer service representatives for Network Consolidation Loans can help students and their families decide whether or not consolidation is the right option.

Students and their families may apply for a Network Consolidation Loan either online or over the phone with a customer service representative. After applying over the phone, the borrower will receive a completed promissory note estimated repayment calculations based on several different repayment schedules to sign and return. Borrowers may apply over the phone at 1-800-338-5000. For more information about the Network Consolidation Loan Program and to apply online, consult: <http://www.aessuccess.org/apply/consolidation.shtml>

Several other independent organizations offer loan consolidation programs. Unlike the Network Consolidation Loan Program, these organizations may have different rules and charge additional fees. For a list of other available loan consolidation programs, consult <http://www.finaid.org/otheraid/tuition.phtml>.

Sallie Mae also has consolidation options. Interested borrowers should visit Sallie Mae's website at <http://www.salliemae.com> for more information.

Deferment Options

In some circumstances, it is possible to defer payment on a federal loan. Continuing education, extended unemployment, economic hardship, certain teaching positions, or other situations may allow students to temporarily postpone their loan payments. For subsidized loans, students will not be charged interest during the deferment period. For unsubsidized loans, students must continue to make interest payments throughout the deferment period, but will not have to make payments on the principal. Students with Direct Loans may contact Borrower Services at 1-800-4-FED AID or can find more information online at <http://studentaid.ed.gov>. Students with FFELP Loans should contact their individual lender for deferment options.

For more extreme cases such as disability or severe health problems, students may forbear their Direct Loans with an additional interest charge to be repaid once the forbearance period ends. Length of the forbearance period will depend on the student's circumstances, and must be evaluated by the student's Direct Loan Service Center. Forbearance options for students with FFELP Loans will depend on the individual lender.

Loan Forgiveness

For some professions, including early childcare, teaching, and the military, the federal government offers loan forgiveness programs in which all or part of an employee's loans are cancelled. For more information about these programs and the amounts of loan forgiveness offered, consult:

<http://www.finaid.org/loans/forgiveness.phtml>.

The Commonwealth of Pennsylvania also offers several loan forgiveness programs for employees in the fields of nursing, early childhood education, and agriculture. For more information about these programs, consult:

<http://www.pheaa.org/loanforgiveness/index.shtml>.