

## **Beat-Tuition.com Short Report: Student Loans**

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## Table of Contents

Beat-Tuition.com Short Report: Student Loans	1
Publishing Information	2
Table of Contents	3
My Experience	4
Why am I writing this e-book?	4
It is possible, and You can finish	4
The Ins and Outs of Student Loans	6
Introduction	6
Stafford Loans	6
Stafford Loan Types	6
What's a FAFSA?	7
You Need A PIN and A SAR	7
Dependent or Independent	7
Use The Online FAFSA	8
What's Your EFC?	8
Sequence Summary and The Student Aid Delay	8
How I handles A Student Aid Delay	9
The Last Form – Your Promise To Pay	9
Actual Lenders	<b>Error! Bookmark not defined.</b>
PLUS Loans	10
PLUS Lenders	10
The Official Student Aid Guide	11
Perkins Loans	11
Another Kind of Aid: Private Loans	11
Conclusion	12
Extra Stuff	14
SBI! Promo	14
Survey for cash	14
Online Movies	14
TV and Games	14

## **My Experience**

### **Why am I writing this e-book?**

And more importantly, why should you read it?

A couple of reasons: BSME, and MBA.

Yeah, that's a little joke, but it's only half in jest. I've been there. I went to college and earned a bachelors degree in mechanical engineering with a minor in Spanish. It took me 6 years – I changed majors a couple of times – and I finished with over 170 semester credit hours. Too many!

I learned about engineering and about going to college. I finished with about \$7500 in students loans, which I figure wasn't too bad. I found a job in my field, and have had a fair degree of career success. I've enjoyed the work, and I loved going to school.

That's not all. I went back years after graduating and earned a masters degree in the evening – 3 ½ years of evenings! I finished, and I'm glad I did it.

This website/e-book/internet thing is mainly a hobby for me, so why not share what I know? I hope it will help you, and that you'll share what you learn with me, and we can help more people that way.

Most of what I'll share here I have done personally. In some cases, I'll share the experiences of others. Let's get started and get you through school.

### **It is possible, and You can finish**

Maybe you haven't done great in high school, or past attempts at college. Maybe you don't have tons of money, or maybe you have tons of debt. Maybe you have it even worse – kids, debt and poor grades. It is not as bad as you think. You can succeed.

Think of it like this: You want to do better. You have desire, and you have some time. That's all you need. You can find the money – in loans for sure. Your grades can be improved. The time can be leveraged or expanded. Go ahead. You can do it.

In fact, there's a little story about grades you might like to hear:

A students make great researchers...

B students make great teachers...

C students...make great money.

I took, start to finish, 8 years for my BS degree. I took 2 years off, and never took summer classes. I changed my major twice (that's 3 majors). I changed my minor once, and so have about 6 credits toward a minor that I did nothing with. I took lots of dance classes – where else will a teacher tell the girls they have to dance with you? As a guy, it was a very good investment. But I stayed the course, and finished just before I turned 26.

A past coworker of mine took 8 years to finish his degree – at night. When I met him, he supervised a small division and loved his job.

My sister got divorced and went back to school with 3 kids in her mid 20's. She had food stamps, baby sitters (often, me), day care and so on. But she finished, too. Now she's nearly into 6 figures.

Another sister, with a liberal arts BA, went back in her 40's for a masters. It worked, she got it – also after a divorce, 5 kids at home, and working part time as a hotel maid. She runs a high school library now and directs plays.

My best friend nearly went blind in college, and had surgery on both eyes. She couldn't do her school work. Friends from church read her textbooks to her. She still was unable to finish some of her classes. Did she quit? Her doctor told her to, but no, she kept going. And she finished.

We aren't that different from you. You can do it.

## **The Ins and Outs of Student Loans**

### **Introduction**

Loans – you see a lot of interest in loans these days. Okay, lousy joke.

I used Stafford loans during my undergrad and masters programs and they worked well for me. For you parents wondering what a Stafford loan is, the name used to be guaranteed student loans or GSL's. I didn't overdo it, just borrowed what I needed. After I completed my programs, I consolidated my loans, and now I just have one payment under \$100 per month, and very low interest.

The trouble, as I see it, lies in the overuse of this tool. Educational loans can really help you get through school, to be sure, but if you borrow the maximum every year and go on to graduate work, you will saddle yourself with a large debt for decades to come – not a fun way to start your career. Especially if you don't have a high paying job.

### **Stafford Loans**

Let me give you a quick run down on the qualification requirements.

To qualify for aid, you must:

- Demonstrate financial need
- Be a US citizen or eligible non-citizen
- Have a valid SSN
- Qualify for entering college with a high school diploma or GED, or other approved method like an ability-to-benefit test.

Of course the toughest one is financial need. You demonstrate financial need through the application, or FAFSA.

### **Stafford Loan Types**

A quick note on the two types of Stafford loans. These loans come in 2 flavors, subsidized and unsubsidized. You will save money by getting a subsidized loan. This means the federal government will pay your interest while you are in school, and during any deferments.

You can get an unsubsidized loan, of course, you just pay more. During any deferments where you ask for some relief due to a job loss

or other problems, the interest would be capitalized, which means added onto the loan amount. ☹ Not good for your future plans to get a 72 inch flat screen HDTV.

### **What's a FAFSA?**

To start your application process, you first have to fill out a FAFSA – Free Application for Federal Student Aid – and get a Federal Student Aid Personal Identification Number, or PIN. This will help you get around inside the federal student aid system websites and check out your options.

### **You Need A PIN and A SAR**

To get your PIN and start the process, go to:

[www.pin.ed.gov](http://www.pin.ed.gov)

You'll have to provide basic information for the PIN, and if you are still a dependent, your parents may have to get a PIN as well. They will process your electronic request in 1-3 days and get back to you with an email that has instructions. If you go through the mail, 7-10 days. (Do it online – you'll save time and frustration.)

### **Dependent or Independent**

Don't know if you are a dependent?

Here's the checklist for dependency – you are independent if any of the following gets a yes:

- Working on a graduate degree, or
- Born before 1985 (turned 22 in 2006), or
- Married or separated from a legal spouse (divorced has special rules), or
- Have children who receive more than half their support from you, or
- Have other dependents who receive more than half their support from you through 6/2009, or
- A ward or dependent of the state, or both your parents are deceased, or
- Currently on active duty in the US armed forces (other than in training), or

- You are a veteran.

That's a mouthful. If you answer yes to any of the above, you are independent, and you fill out the FAFSA on your own, no parents.

But if you answer no to **all** of them, you will need to provide information from a parent – or whomever you are depending on. That was awful grammar. Basically, someone is supporting you, which makes you a dependent student. That person will have to show they can't support all of your financial needs while you go to college. And you'll have to get their information on the FAFSA.

### **Use the Online FAFSA**

Having filled out these forms many times, I can tell you it comes down to taxes. If someone claims you as a dependent, you have to have them fill out a form. If not, you can do the whole thing. And have your tax form close at hand – you'll need it.

You can find the online FAFSA at:

[www.FAFSA.ed.gov](http://www.FAFSA.ed.gov)

By the way, the online FAFSA is the way to go. I have done both, and I far prefer the online version.

Once you have your PIN and have filled out the FAFSA, you will submit it and wait for a Student Aid Report, or SAR. Great name, right?

### **What's Your EFC?**

The FAFSA will boil down to two basic numbers:

The Expected Family Contribution, or EFC, and the cost to go to school. If the EFC will provide enough for you to go to school, then you won't qualify for aid. If the EFC doesn't provide enough, you will likely qualify for some help.

### **Sequence Summary and the Student Aid Delay**

To summarize a dreadful list of acronyms:

FSA-PIN → FAFSA (online) → low EFC → SAR → \$\$\$ Student Loan

I'll take a guess at your next question:

**HOW #%^\*#& long does this \$\*%& take??!!**

At best a couple of weeks, up to a couple of months. Sorry.

Once your application is approved, though, you can borrow from any bank or credit union with a student loan program you want, and the cashier at your school will usually provide you the check. Or in the case of an online school, you can make arrangements with the bank to deliver the money to you.

### **How I handled a Student Aid Delay**

Let me tell you how I handled this one semester. I had a shortfall. Actually my parents told me they couldn't pay for my tuition that semester (before I was independent), so I had my first chance with student aid. I didn't have time to do the whole thing, though. You probably can see where I am going. I took out a short term student loan. My school offered these, just a 6 month loan. It was also called an emergency loan. I borrowed it in January, and had to repay it by early July.

School ended in late April. I spent the next 3 weeks touring Mexico with a small group of students (and I highly recommend you try something similar). Went to Chichen Itza, Palenque, Cancun, a west coast beach city (Playa Angel, I think), and Teotihuacan and Mexico City.

Then, at home, I got a job in mid May. By July, I had the money and I paid off the loan.

Of course, you can also use a credit card, or if your school has it, a payment plan. The point is that you can usually side step the student aid delay with a little work. Planning ahead works best.

### **The Last Form – Your Promise to Pay**

One last form: the promissory note. After you qualify, and you have your SAR, and you choose a lender, like a bank, a credit union, or the government (they all work with the same paperwork and show up on the same list of lenders), you will have one last form to fill out: the promissory note.

Don't give up now – you're almost done!

Quick translation:

Promissory = promise to pay

Note = loan, as in cash

This is the actual loan document. You sign this form as a promise you will repay the loan to the institution giving you the money. Then, you get the check. You may have a delay of a day or a week from signing the promissory note to when you get the check. You may be able to shorten that time with a call to the company, overnighting documents, that sort of thing. Most lenders have a fairly smooth electronic system now.

I'll recommend some lenders later on [www.Beat-Tuition.com](http://www.Beat-Tuition.com).

## **PLUS Loans**

PLUS started out as Parent Loans for Undergraduate Students, but has recently been expanded to include lending to graduate and professional students. Lenders often use the term Grad-PLUS loan to reflect the change.

These loans have a higher interest rate than Stafford and Perkins loans, and no grace period. Also, these loans do not offer interest rate or payment relief in difficult times. If parents borrow money this way for their children or dependents, the loan is theirs to keep, not the student's, and the parent signs the promissory note.

That said, the chief benefit of a Grad PLUS loan comes from the federal guarantee. And the rate should be better than market, just not quite as low as a Stafford. And the interest may be tax deductible.

Another cool Grad PLUS benny is the master promissory note. With many institutions, you can apply once, and then go back and get money every year that you or your child stays in that school as long as your credit still meets the requirements. No new paperwork = more time golfing. Or shopping. Or studying. ☺

You can get a variety of payment plans as well, and these loans are eligible for consolidation, which can help a lot.

## **PLUS Lenders**

I'll recommend some lenders later on [www.Beat-Tuition.com](http://www.Beat-Tuition.com).

## **The Official Student Aid Guide**

I have tried to be concise to get you going in the process of borrowing to cover some costs for school. It worked for me, but the paperwork was a bear. I hate filling out forms, and the FAFSA is a long one. The truth is that student aid comes down to filling out forms, just like getting into college did.

In case I have skipped over something, or you have questions, please also read or at least download the [official guide](#), the government version of how this works.

## **Perkins Loans**

Just a quick note about the Perkins loan program. This program applies to schools that loan money themselves. The interest rate is 5%, and you repay the loan directly to the school.

The application process is similar to the Stafford program, by the way. You need to ask the school student aid office if they offer Perkins loans to pursue this option.

## **Another Kind of Aid: Private Loans**

Before I end this short report, let's cover private loans.

With private loans, you forego many of the benefits of a Stafford loan, guaranteed by the government. Private lenders give you a loan based on credit worthiness, not need. Interest rates may be higher, you may not have a delay in payments though many do wait until graduation and defer interest for you. (That benefit outweighs many negatives – be sure you borrow from a company that defers payments until after graduation or a change to part time attendance.)

But the benefits can be great as well. These loan companies don't have the same deadlines. The application process doesn't require the FAFSA, just disclosure of any other student aid received. Interest can still be tax deductible in many cases. You can often get preliminary approval in under an hour. Nice.

Also, you can use a cosigner when your credit doesn't quite work out – if you can convince one with good credit to sign. Great opportunity for a grandparent, right? Just be sure to repay. If you don't, the lender

goes after the cosigner. By the way, once you are out, making bank and living like royalty, you can apply for a cosigner release to let them off the hook.

If you have a money crunch, this may be a great way to save your school year and even your degree. Just be careful to only borrow what you need. You'll have to pay it back soon, and you will have needs then, too. Like an economical car to get to work. Say, a Mercedes 600 SE or a nice black Hummer? Okay, too far. Still, don't over borrow.

## Conclusion

This has been fun. At least for me. I hope you've gotten started on your financial aid, and can see some light at the end of the tunnel. Going to college can be a reality, even if you have no money. Stick with it. Drop me a note when you get in or get out. I always like to hear when some one succeeds.

And [come back](#) for my next short report. I'm preparing reports on:

Free Money Grants – Grant programs. It's going to be pretty big, since I am listing all the federal and state government programs I can find. Also, this one will have many state funded scholarship programs. Two other categories I'll mention in it are growing rapidly: tuition waivers (a form of grant, but they don't give you a check, just a discount or a free semester) and reciprocal agreements, where you get a break on tuition due to your location or course of study in an out of state school.

Employee Programs - Tuition reimbursement, tuition assistance, work release time, and other company offered benefits. I'll also have a short list of good employers. I'll add to it as more good programs come to my attention.

Scholarships - This one has been done to death, but I have some good things to add. First, understand that most private scholarships only award to 1-5 people per year. Also, keep in mind that creativity is in order. If you don't completely fit the guidelines, be creative, get some quick

experience that might qualify you, bend your self description. You might get a nod and a check.

Earning in College - Finding money for college through a business or job. This will include creative ideas about where you can work, how to set up a side business, some part time businesses that you can schedule around school and do without a much investment.

Online Businesses - I'll provide a report or book to help you set up an online business the right way.

All of the above will be offered for free at least initially. Please [come back](#) to get a copy when I have finished them.

Keep studying – but enjoy yourself some, too ;)

(see below)

## **Extra Stuff**

Some cool stuff you might like.

### **SBI!**

If you have ever wanted to make a buck online, you've got to hear about SBI!, the best web host around. SBI! Provides every tool you'll need to build a money earning site, including making your pages rank well, and I use them for [my site](#).

Along with that, the forums are full of friendly, helpful people. It's a great community with excellent support and great tools.

Oh, and one other thing. The founder, Dr. Ken Evoy, is a genuine internet expert. He has earned millions online, and has written much of it down. And get this, **he gives the training materials and videos away free**. No joke. You can go to the [download center](#) right now and download hundreds of pages of guides, success stories, and how-to's or watch the video guides. I know, I did it before I started my SBI! Site.

See how to do it [here](#). Or get a free book download [here](#) (scroll down when the window opens)

### **Survey for cash**

Have you heard of paid surveys? Companies need to know what you like, so they offer surveys, and some they pay for. Want to get paid for your opinion? Learn where the best surveys are [here](#). Start earning today.

### **Online Movies**

Like movies? Ever wanted to know how to use the web to find the best ones? Now you can find the best download sites. [Take a look here](#) and you can get started right now.

### **TV and Games**

Heard of satellite access online? Cool games, great satellite TV, and more. All the best feeds, right to your own computer, wherever you have access. [Find out how](#) and have some fun.