

Managing Your Finances

Consortium students may have the good fortune of receiving a fellowship or other scholarships to help pay their educational expenses. However, this support will not fully cover the cost of forgoing a full-time salary, tuition and additional living expenses incurred over the two-year period of MBA studies.

It is wise to take some time and think about your finances. This involves not only what you are walking away from, but what you are about to walk into and what obligations will follow you to school. Take a look at how you spend your money. How much is spent on obligations and how much is spent on fun, leisure and “luxuries?” If you are able, pay off as many outstanding obligations as you can. This will not only help with studying (not worrying about which bills are due), but it can also help better your credit score. The art of “living like a student” immediately will only make the transition to being a full-time student much easier. Below are five very important tips that will assist you in preparation in applying for additional financial aid other than your Consortium tuition benefit.

Financial Aid Tips

Important items to address before applying for financial aid

- Manage Your Money (Paying down your credit cards is very important.)
- Know Your Credit Score (<http://www.annualcreditreport.com>)
- File Your Taxes
- Request Your Federal Pin (<http://www.pin.ed.gov>)
- Review Your Financial Aid Office's Web site

How Financial Aid Eligibility is Determined

Eligibility for federal, state and most private loans is determined by using the federal methodology formula. This formula uses your (and spouse) income and equity assets reports on the Free Application for Federal Student Aid (FAFSA) (<http://www.fafsa.ed.gov>) to determine the amount you are expected to pay toward your education. This amount is called your Expected Family Contribution (EFC).

After the financial aid office confirms your EFC, they calculate your financial need; $\text{Financial Need} = \text{Cost of Attendance} - \text{Expected Family Contribution}$. This calculation determines your Federal Direct Subsidized and Unsubsidized Stafford loan eligibility. The maximum amount of the Federal Direct Subsidized loan is \$8,500. The total maximum amount of the Federal Direct Subsidized and Unsubsidized Federal Stafford loans is \$20,500.

Using the Cost of Attendance determined by your financial aid office, your remaining estimate loan eligibility is calculated; $\text{Cost of Attendance} - \text{scholarships, fellowships, tuition/fee stipends, employer reimbursement} = \text{your remaining borrowing eligibility}$.

Be sure to review your school's Financial Aid Web site and call or email with additional questions. You will be able to determine the school specific application steps and helpful sites to obtain additional scholarship funding and loan borrowing information.



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Types of Loans

A **Federal Direct Stafford Loan** is a loan given by the U.S. Department of Education. Direct Loans offer students a single application process and reduced origination fees. Direct Loan Rebate: The Subsidized and Unsubsidized Federal Direct Loans have a 1.0% origination fee and also offer a .5% rebate on the origination fee - resulting in a net fee of .5% which will be deducted from the gross amount of the loan borrowed. Once you enter repayment, if you make your first 12 monthly payments on time, the rebate becomes permanent. However, if you fail to make 12 on-time monthly payments, a charge for initial rebate will be added to the outstanding balance of the loan. The interest rate is fixed at 6.8%. This fixed rate is subject to change on July 1 each year. There are two types of Federal Direct Stafford Loans - Subsidized and Unsubsidized. The combined total for the Subsidized and Unsubsidized Federal Direct Stafford Loans is \$20,500 per academic year. The aggregate limit for Subsidized and Unsubsidized Federal Direct Loans together (including undergraduate and graduate borrowing) is \$138,500. Payments begin 6 months after graduation.

In order to receive a **Federal Direct Subsidized Stafford Loan**, you must demonstrate financial need to qualify for a Federal Direct Subsidized Stafford Loan. As a graduate student, you may borrow a maximum of \$8,500 in Federal Direct Subsidized funds per academic year. The Federal Direct Subsidized is limited to the cost of education, minus the Expected Family Contribution and any financial aid you will receive. The aggregate limit for the Federal Direct Subsidized (including undergraduate and graduate borrowing) is \$65,500. You do not begin to repay the loan and interest until six months after you graduate or after you cease half-time enrollment. You will have up to ten years to repay the loan.

The Federal Government also has a **Federal Direct Unsubsidized Federal Stafford Loan** Program. The annual maximum you can borrow under this program is \$12,000 plus any of the \$8,500 Federal Direct Subsidized for which you do not qualify. The Federal Direct Unsubsidized is limited to the cost of education minus any financial aid you will receive. The terms and conditions of the Federal Direct Unsubsidized are the same as for the Federal Direct Subsidized, such as length of repayment, deferments and interest rates. You will be required to pay the interest for any in-school and deferment periods. Interest is automatically added to your principal unless you mark box 12 on the MPN, indicating that you want to pay interest while in school.

Federal Direct Graduate PLUS Loans are available to graduate and professional students, allowing a graduate student to borrow on his/her own behalf up to the standard graduate cost of attendance less other aid received. A Federal Direct Graduate PLUS Loan is a non-need based loan given by the U.S. Department of Education to credit-worthy graduate students.

The Federal Direct PLUS Loan has a 4% origination fee and also offers a 1.5% rebate on the origination fee-resulting in a net fee of 2.5%, which will be deducted from the gross amount of the loan borrowed. Once you enter repayment, if you make your first 12 monthly payments on time, the rebate becomes permanent. However, if you fail to make 12 on-time monthly payments, a charge for the initial rebate will be added to the outstanding balance of the loan. The interest rate is fixed at 7.9%. This fixed rate is subject to change July 1 each year. Interest will accrue during the in-school period. Payment begins 50 days after graduation. *You can not apply for a Federal Direct Graduate PLUS Loan until June 1, 2010.* All graduate students wishing to borrow a Federal Direct Graduate PLUS Loan are required to complete the Free Application for Federal Student Aid (FAFSA), a Federal Direct Graduate PLUS loan Entrance Counseling and a Federal Direct PLUS Master Promissory Note (MPN). However, before receiving a Federal Direct Graduate PLUS Loan, students must have applied for the annual loan maximum under the Federal Direct Stafford Loan program (subsidized and unsubsidized).

Alternative loans are private loans offered by different lenders. These loans usually require that the student or the co-borrower (if applicable) be a U.S. Citizen or permanent resident. Private student loans can help cover the costs that exceed the Federal Stafford Loan limits, including books, room, board, computers, and other expenses. They are an alternative to Federal PLUS Loans for borrowers with special requirements or for those who are ineligible for federal loans. The interest rates are variable and are usually based on Prime or Libor.

