

Before Borrowing

Be sure to explore all scholarships, grants and employment opportunities first. Determine how much you will need and how much you can afford to repay. If your child lives at home and commutes to college, or takes on a part-time job, you may be able to borrow less.

EdWise®, the online financial planning tool at www.edwise.org, can help you borrow wisely. With EdWise, you can create budgets and check loan debts against take-home pay. It also includes repayment options and career information.

To learn more about PLUS loans, contact your college's financial aid office.

LOAN REPAYMENT CHART

9% interest for 10 years

AMOUNT BORROWED	MONTHLY PAYMENT	TOTAL INTEREST
\$5,000	\$63	\$2,601
\$10,000	\$127	\$5,201
\$15,000	\$190	\$7,802
\$20,000	\$253	\$10,402
\$35,000	\$443	\$18,204

To estimate your particular monthly payment, go to www.edwise.org.



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Paying for your child's college education with a **PLUS** loan



if

you are like many parents, paying for your child's college education can be a challenge. You may need to tap into a variety of resources, including scholarships, grants, savings, earnings and loans. If you need to borrow, consider a federal PLUS loan.

PLUS loans were created by the federal government to help parents or stepparents pay for their dependent student's college costs, including tuition, fees, books, housing, food and reasonable transportation expenses. PLUS loans are made by banks, savings and loans and credit unions under the Federal Family Education Loan Program. College financial aid administrators will have a list of participating lenders.

PLUS loans are not based on your family's income or assets and you can borrow up to the total cost of your child's education, minus any financial aid he or she receives.

TIP

You'll pay no insurance fee on PLUS loans guaranteed through EdFund through at least September 30, 2004. You receive the 1 percent savings up front.



PLUS LOANS AT A GLANCE

The Basics

- ▶ PLUS loans are for undergraduate study only.
- ▶ You must be a U.S. citizen or an eligible noncitizen, have a valid Social Security number, not be in default on a federal loan, not be liable for a grant or federal Perkins loan overpayment and not have an adverse credit history.
- ▶ Your child must be a dependent and enrolled at least half time at a qualifying school. Generally, if your child is under 24 years of age, has no dependents, is not married or is not a veteran of the U.S. Armed Forces, he or she is considered to be your dependent.
- ▶ The interest rate is variable and adjusted each July 1, with a cap of 9 percent. For the current rate, go to www.edfund.org. Origination and insurance fees of up to 4 percent may be deducted from each disbursement.
- ▶ Interest begins to accrue immediately. Up to \$2,500 of the interest you pay each year may be tax deductible. See your tax adviser to learn more.
- ▶ Repayment starts within 60 days of the loan's last disbursement. Usually, you will have up to 10 years to repay.
- ▶ A credit check is required. Generally, you must not have any delinquent or defaulted loans or excessive credit card debt, outstanding tax liens, unpaid judgments, or any bankruptcy, foreclosure or wage garnishment within the past five years. If you do not pass the credit check, you may still be able to receive a PLUS loan if you know someone who is willing to endorse your loan. Or, your child may want to contact the financial aid office to find out about other borrowing options, such as additional Stafford loans.
- ▶ Before receiving your loan, carefully read the promissory note and your legal and financial rights and responsibilities as a borrower.
- ▶ If your child changes colleges, you will need to reapply for a new loan at the new school.
- ▶ Simplify loan repayment by staying with one lender. Staying with the same lender for any additional loans will keep loan repayment more manageable.
- ▶ PLUS loan funds are sent to the college and disbursed in one or more installments. Before or with the first disbursement, your lender will give you a loan disclosure statement with important information about your loan. Be sure to read it carefully.
- ▶ You must repay your PLUS loan, even if your child does not graduate, cannot find a job or is not happy with his or her education.
- ▶ If you fall behind in your payments, your delinquency may be reported to a national credit agency which could damage your credit rating and future ability to borrow.
- ▶ Contact your lender immediately if you have problems repaying your loan. You may be able to change repayment plans or receive a deferment or a forbearance, where payments are postponed or reduced. There are alternatives available to help you avoid delinquency and possibly defaulting on your repayment obligations.
- ▶ A defaulted loan is serious. If you default, it means that the lender has turned your loan over for collection and the entire amount is due. Your wages may be garnished, your assets and tax refunds seized, and much more.

TIP

Your child should also submit the Free Application for Federal Student Aid, or FAFSASM, so that the college can determine his or her eligibility for other financial aid.