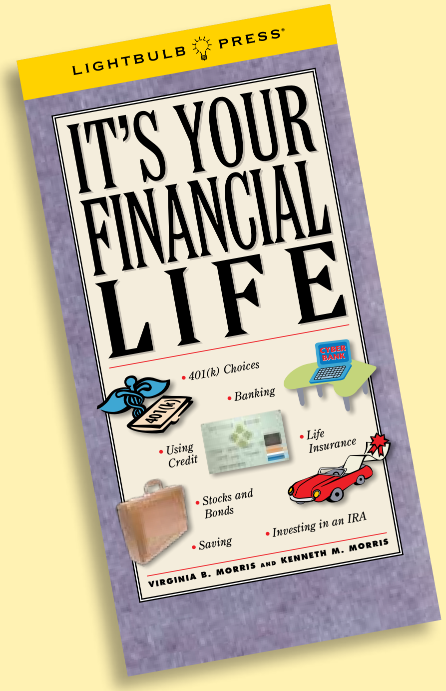


Repaying Student Loans

If you're on the ball, you can plan your repayment strategy.

At least half of all college graduates have a student loan to repay. For most, it's probably the first big, long-term debt they've had. So if the lingering cost of your education is causing you a little bit of panic, you're not alone.

Adjusting to the fact that you have thousands of dollars to pay back when you're just starting a career can seem like an impossible burden. Fortunately, it's not. There are a variety of ways to structure your payments, which can make student loans easier on your nerves as well as your pocketbook.

PICKING A PLAN

There are several ways to repay government-backed **Stafford Loans**. Each one fits a slightly different financial situation, so you need to think seriously about what you can afford when you pick a repayment plan.

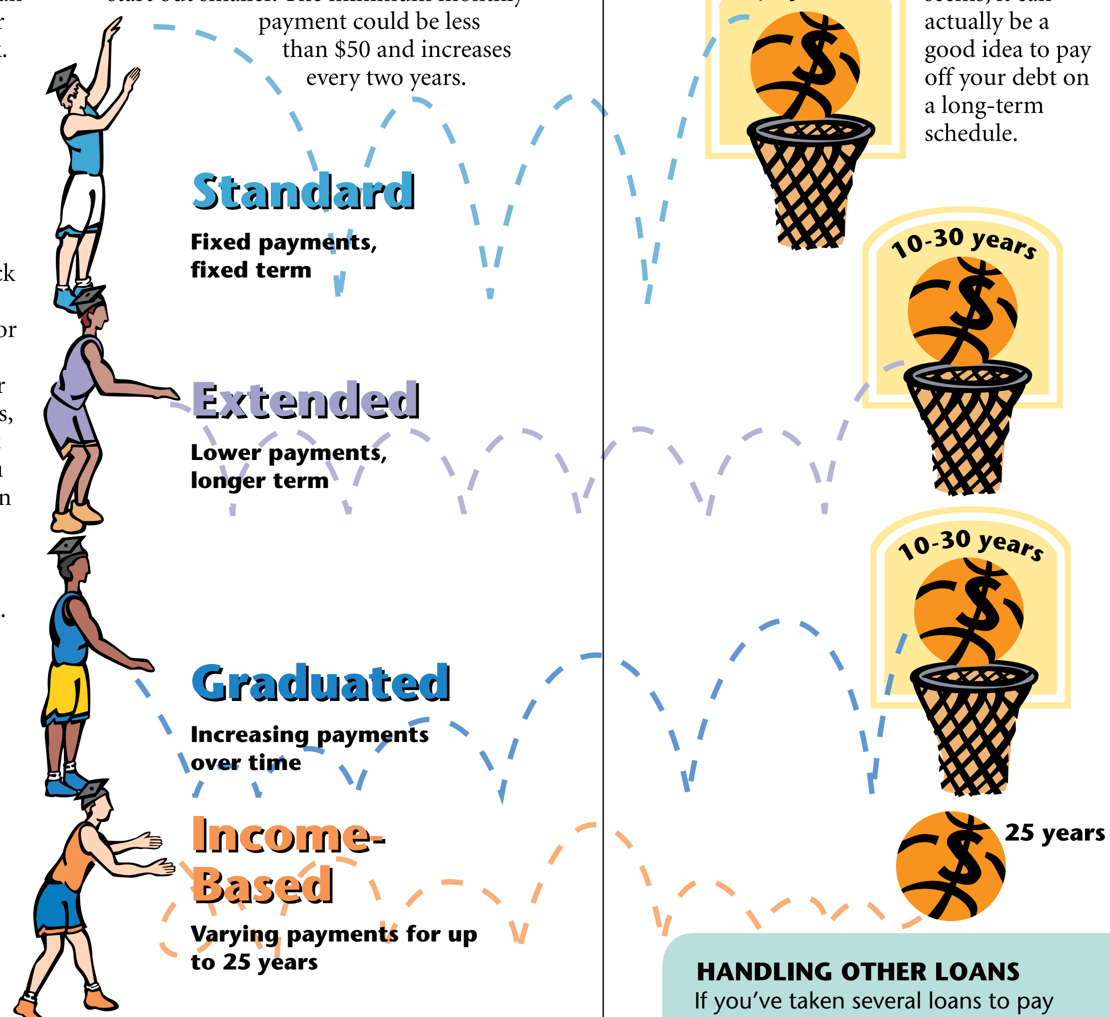
Remember that the best plan for you isn't necessarily the one with the lowest monthly payments—or the one with the highest payments, for that matter. Think about what you can afford now, and what you can reasonably expect to pay down the road.

And you're not making an irrevocable decision. You can always switch plans if you need to.

The **standard repayment plan** requires you to make fixed payments of at least $50 a month for a set period of time. The time repayment takes depends on how much you've borrowed, but it won't be more than ten years. This plan will probably let you pay back your loan quickest, and cost you the least overall, provided you have the money to keep up with the payments.

The **extended repayment plan**, like the standard plan, requires fixed payments for a set period. And while your payments are still at least $50 a month, they're usually significantly less than what you'd pay using the standard plan. That's because your payments are stretched over a considerably longer period, anywhere from 10 to 30 years. Of course, this increases the overall interest you'll pay over time, but it can make your payments a little more manageable.

If you're not making a lot of money right now, but you're expecting to have a higher income in the future, the **graduated repayment plan** might be the best plan for you. Your payments are stretched out over 10 to 30 years as with the extended plan, but there is an added cushion because your payments start out smaller. The minimum monthly payment could be less than $50 and increases every two years.



The **income-sensitive repayment plan**, which applies to private lender loans, adjusts your monthly payments annually, based on your income and student loan debt. The repayment period lasts up to ten years.

The **income-based plan** limits your monthly payments to 15% of your income, which can give you some security if you have a volatile cash flow. What you pay each year rises or falls based on what you make, and there's no set minimum payment. You can take up to 25 years to repay under this plan. After that, any amount that's still unpaid will be **discharged**, or canceled.

However, to participate you must shift any Stafford loans from private lenders into the federal Direct Loan program.

HOLD ONTO THAT DEBT!

If you're not used to having debt, you might find yourself wanting to pay off your student loan as quickly as possible. But as crazy as it seems, it can actually be a good idea to pay off your debt on a long-term schedule.

That's because for many people, the interest charges are tax deductible. So if you've got extra cash you could use to repay the loans faster, it may make better sense to put the money into savings and investments instead. That may be especially true of money you put into a tax-deferred savings plan, such as an IRA or 401(k).

DEFERMENT, FORBEARANCE, AND DISCHARGE

If something happens that makes it hard for you to pay back your student loans, you may be able to postpone payment for a set period of time. You can apply to **defer** your loans, for example, if you're in school at least half time, if you take a parental leave from work, or if you enter a public service organization, such as the armed forces or the Peace Corps. Unemployment, temporary disability, and other events that may keep you from earning money can also make you eligible for deferment. If your loans are deferred, your payments stop, and the balance doesn't accumulate interest.

If you don't have a valid reason for deferment but you still can't pay your loans, you can request a **forbearance**. If a forbearance is granted, you won't have to make payments, but your loans will continue to accumulate interest.

In certain very special cases, it's possible to have your loans **discharged**, or canceled altogether. This usually requires an extreme circumstance, such as total disability. The government sometimes also discharges loans for working full-time in government, public interest law, public health, non profits, law enforcement, teaching, or other public service areas.

KEEPING UP ONLINE

If you want to get the latest information about your direct Stafford Loans, from finding out the current interest rate to calculating total costs, you'll find useful resources at www.ed.gov/DirectLoan. Or call 800-848-0979 to speak with someone directly.

HANDLING OTHER LOANS

If you've taken several loans to pay for your education, keeping track of what you owe and making your payments on time can be an even greater challenge. That's because the term, repayment schedule, and lender may vary for each loan.

One solution may be to consider **serialization** or **consolidation**.

With serialization—if you qualify—you arrange to make the payments on a number of different loans to a single address. The loans themselves aren't affected. With consolidation, you take a new loan, the consolidator pays off your existing loans, and you make just one payment.

Ask your financial aid office or check www.ed.gov for more details.