



NEWSLETTER

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Law School Loans Testimonials

Greg M. says...

The first time I called in I spoke with a loan consultant immediately. The representative that I spoke with was knowledgeable and able to answer all of my questions. He took me through each step of the application and explained all of the details.

DEMOCRATS PUSH FOR PELL GRANT INCREASE

College hopefuls may have the opportunity to receive more funding if the Democratic plan to increase the maximum Pell Grant award is approved by both the House and the Senate in the upcoming weeks.

According to the U.S. Department of Education's website, www.ed.gov, the Federal Pell Grant Program "provides need-based grants to low-income undergraduates and certain post-baccalaureate students to promote access to postsecondary education. Students may use their grants at any one of approximately 5,400 participating postsecondary institutions. Grant amounts are dependent on: the student's expected family contribution (EFC) (see below); the cost of attendance (as determined by the institution); the student's enrollment status (full-time or part-time); and whether the student attends for a full academic year or less." For a student to apply for a Pell Grant, he or she must complete and submit a FAFSA (Free Application

for Federal Student Aid), as the amount awarded is based on financial need.

Presently, the maximum amount of a Pell Grant is \$4,050, but the potential increase could pad that award with another \$260. If the bill is passed, it would mark the first direct federal aid increase in half a decade.

There have been rumblings about increasing the Pell Grant for some time. In fact, when President Bush ran for his first term in 2000, one of his campaign points was a proposal to increase the maximum Pell Grant amount to \$5,100. Thus far, this increase has not made it into his budget requests, but the president is due to submit a new request shortly. With this recent push by Democrats to find room in the budget for a smaller increase, it seems both parties could work together to assist prospective college students.

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GETTING AHEAD: RESERVING CONSOLIDATION WHILE IN SCHOOL

Whether you've taken out federal student loans or private student loans to fund your education, it's imperative that you *not* ignore your debt while you're still attending school. Consolidating your student loan debt is the smartest way to take control of your finances and prepare for your future. Finding a lender you can trust while you're still in school is a smart way to get ahead. Think of it this way: once you graduate, you'll be bogged down with finding a job and making big life decisions. It will be reassuring to know that you've already chosen a consolidation lender to reserve your borrower benefits and help you take control of your financial future.

Federal Student Loan Consolidation combines all your federal loans into a single new loan. This significantly helps newly graduated students with the management of their debt as they enter the workforce. If you are like

many other students, you have loans that carry different interest rates and are from different lenders. This creates complications during repayment, and your credit reflects it. If you do *not* consolidate, your payments will vary from loan to loan and from lender to lender. Keeping track of separate due dates, interest rates, and various monthly payments, not to mention whom to pay, can be time-consuming. You have other things to concentrate on; you can't worry about missing payments and negatively affecting your credit report. Consolidation will allow you to make one monthly payment to one lender.

Consolidation is not only beneficial for those who have taken out federal loans. Many students also find it necessary to supplement their funding with private-lender student loans. Consolidating such loans allows you to refinance your private educational debt under

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a single loan with a lower interest rate. The features of a private loan consolidation include a low interest rate, lower fees, no prepayment penalties, and the convenience of having one bill and making one monthly payment for all private educational loans. If you've borrowed *both* federal and private loans, then choose a consolidation lender that allows you to consolidate both types of loans. That way, you'll be able to consolidate each group of loans (federal or private) into a single, separate loan but only pay a single lender each month.

It's hard to argue against consolidation. Consolidation basically hands you money. Many students have to scrimp and save to get by on their loan allowances or student stipends. One of the strongest selling points for consolidating your federal student loan debt should make complete sense: consolidation can reduce your monthly payment amount by nearly 50%. Reducing your monthly payments can assist you with making a more affordable transition into your first job and post-graduation lifestyle.

With consolidated loans, a borrower has the option of signing up for deferment and forbearance options if the need arises.

Democrats Push for Pell Grant Increase Continued from page 1

The cost of college goes beyond the expenses of tuition and books. Being a full-time student normally does not allow an individual to hold down a full-time job. Therefore, the smallest cost-of-living expenses can add up quite quickly. In a recent article, Maureen Groppe reports on how the Pell Grant does, in fact, help college attendees who need the financial support. For example, Krystal Hines, a sophomore at Purdue University, speaks of the practicality and effectiveness of her Pell Grant: "Pell Grant does help me be able to afford living and food and things like that."

These are options that are carried by federal loans. Because consolidation is a *free* federal program, it is easy to postpone payments if a borrower finds himself or herself unable to pay. Plus, during any eligible deferment period, interest *does not* accrue on the subsidized portion of the consolidated loan. Subsidized loans retain their subsidies when included in a federal consolidation. Thus, the government remains responsible for the interest on this portion of the loan during certain eligible periods-another benefit not widely known about. Forbearance is a flexible option for those looking to quickly pay off other debt first, such as high-interest credit card debt. If, for any reason, you are not able to make payments on your federal consolidation, you have options that can temporarily postpone payments. Many fear that debt equals bad credit. If you're a responsible borrower who makes payments on time, then consolidating many loans into one loan and maintaining said loan will actually improve your credit.

Look into your financial future, and find out more about reserving consolidation while in school.

Currently, about 1.5 million students qualify for the Pell Grant, even though its purchasing power has fallen as a result of escalating tuition costs. Nearly 20 years ago, the Pell Grant was able to cover half the cost of tuition, fees, and room and board, whereas today it only compensates for around 33% of the cost. However, students know that every little bit helps.

Under the new Democratic plan, the pending increase would cost more than \$615 million. If the maximum Pell Grant ever made it above \$5,000, it would necessitate a \$2-billion allocation of funds in the budget.

NEWS IN BRIEF

PELL GRANT AMOUNT SET TO INCREASE AFTER FIVE YEARS OF STAGNATION

The passage of the \$463.5-billion spending bill by the House of Representatives will increase the maximum Pell Grant amount by \$260. The bill, which was pushed through by the Democrats in order to complete the budget-approval process that began last year, will increase the maximum Pell Grant that a student can receive to \$4,310-the first increase in direct federal aid in five years. The bill will now make its way to the Senate. To fund the Pell Grant budget increase, the Democrats have declared a one-year moratorium on earmarks-pet projects of members of Congress. Although the increase in the maximum

Pell Grant amount seems meager when compared with the spiraling costs of college, it will provide some much-needed assistance to thousands of low-income students wanting to pursue higher education.

"DEAR COLLEAGUES LETTER" OUTLINES NEW REGULATIONS FOR LENDERS

The United States Department of Education has published a "Dear Colleagues Letter" restating the requirements outlined by the Higher Education Act and other regulations that control whether FFELP loans funded by tax-exempt sources may be granted eligibility for payments at a 9.5% minimum return

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rate. The department has announced that lenders will no longer be eligible for subsidies unless they can prove that they are eligible by submitting audits. The overcharging allegations aimed at the National Education Loan Network (Nelnet) and the 9.5% loophole, which has cost the federal treasury a fortune, have led the department to establish new rules for lenders.

LEGISLATION AIMS AT CREATING COMMUNITY COLLEGE PARTNERSHIPS

Congressman David Wu has introduced the Community College Partnership Act (H.R. 717)-legislation that would facilitate partnership agreements between community colleges and four-year institutions. Aimed at encouraging students to continue their educations at four-year institutions and earn bachelor's degrees, the partnership would offer a dual enrollment program that would allow students to transfer class credits, financial aid data, and administrative paperwork more smoothly between institutions. The legislation has been modeled on a partnership between Portland State University and Portland Community College. The partnership between the two schools enables the seamless transfer of papers between them and eliminates the burden on students. The legislation is slated to create a \$50-million competitive grant program that would encourage more schools to form similar partnerships.

NEW DIRECTOR OF RESEARCH AND POLICY ANALYSIS AT NASFAA

Dr. Meihua Zhai has been appointed Director of Research and Policy Analysis for the National Association of Student Financial Aid Administrators (NASFAA). Prior to joining NASFAA, Zhai was Assistant Vice Chancellor for Strategic Research and Analysis at the University System of Georgia. Zhai, who wants financial aid administrators to spend more time on institutional research, believes that improvements should be made to the ways in which complex issues such as student funding, college access, and institutional accountability are handled. After earning her Master of Arts in Linguistics at Ohio University, Zhai pursued a doctoral degree in education research and measurement at Ohio University.

TEXAS GOVERNOR PROPOSES PLAN TO INCREASE ITS NUMBER OF COLLEGE GRADUATES

Aiming to increase his state's number of graduating students by 171,000 by 2010, Texas Governor Rick Perry has unveiled a program that allocates \$350.2 million for Texas' public colleges and universities. A portion of the money will be given as a reward each time a school graduates a student; schools offering degrees in critical fields will receive even larger rewards. Perry asked legislators to approve a \$1.7-billion increase in higher education funding and a \$362-million boost in financial aid to be provided over the next two years.