

# Managing Your Loan Debt

## Tips for borrowing

- Explore all your options including grants, scholarships and employment opportunities before applying for loans.
- Borrow conservatively; accept only what you need.
- Consider the impact of previous student loans or existing consumer debt.
- Know the exact cost for every year of school and try to anticipate hidden costs.  
Have a full understanding of your student loan rights and responsibilities.
- Apply with the same lender each time you borrow, if possible. This increases the chance of combining your payments once you enter repayment. If you borrow from multiple lenders you will have multiple monthly payments, which can be difficult to manage.

## Know where your money goes...

*Does money seem to disappear from your pocket?* Gourmet coffees each morning, lunch and/or dinner out with friends, weekend activities. You can easily spend \$100 a week living this lifestyle. So before you blow your budget, think about your spending habits. It could be the difference between living like a student while in school and living like one after you graduate.

## Spending Habits

Good spending habits and a little planning will help you take control of your finances during and after school. Here are some basics to consider the following tips:

- **Plan financially-** [Create a budget while in school](#) and stick to it. By determining your monthly income and then deciding ahead of time how to spend it, you can reduce unnecessary expenditures and better anticipate your monetary needs. You may create a budget online at: [www.edwise.org](http://www.edwise.org).

- **Track spending-** Are you spending more than you have? Track your daily expenses for a week and see where your money goes. You might be surprised how much you can save by changing some of your spending habits. Then use those savings to pay for future expenses or pay down debts.
- **Borrow wisely-** Loans will increase your debt after graduation, which may hinder after-college dreams. The more you borrow, the larger your monthly payment and repayment period. So borrow conservatively and estimate your future salary to determine how much you can afford to borrow and repay later. It will make your post-college goals much easier to reach.
- **Work a little-** Consider part-time work, tutoring, and/or work-study programs to reduce your costs while attending school. A full-time summer job can help reduce debt, pay for college expenses or finance an affordable vacation without the long-term debt.
- **Start saving-** Establish a savings plan. Put aside money each month to pay for school or future savings investments. Here's how your money can grow if you invest it at an average annual interest rate of six percent for 10 years.

Example:

- \$50 a month - grows to \$8,235 in 10 years
  - \$250 a month - grows to \$41,175 in 10 years
  - \$500 a month - grows to \$82,349 in 10 years
- **Use credit cautiously-** The cost of using credit can be 18% or more. If you use credit cards, pay off the balances monthly and leave them at home when you shop. Impulse purchases can add up. In fact, if you charge tuition (\$1,000) and books (\$400) for one term and only make the minimum monthly payment of \$28, it will take you 93 months to pay off that debt.
  - **Cut spending-** Finding ways to save while in school might seem difficult. But stretching your dollar without damaging your image is easier than you think.