

Summer interest rate increase causes worry

Julie Williams
Staff Reporter

The consolidation ship has sailed — for now anyway.

On July 1, interest rates for federal student loans jumped nearly 2 percentage points for student loan borrowers. Students (and parents) who consolidated before that date were able to lock in the lower interest rates for all of their loans, while borrowers who missed the boat will continue to pay off their loans at the higher rates.

Now that the interest rates have gone up again, some students might still be confused about what just happened.

Junior Kendra Davis said she knew about loan consolidation before this summer.

"A bunch of people talked to me about student loans before college," she said. "The easiest way to pay them off is to put them all together."

Because of some confusion about what actually happens when loans are consolidated, Davis said she didn't end up consolidating when the interest rates were low. She said she thought it was an iffy situation.

"[I] wasn't sure if we had to start paying it back as soon as we consolidated," she said.

Davis said she thinks she will probably have borrowed about \$30,000 by the time she graduates and that not consolidating this summer will cost her about \$4,000 extra in interest. She said at this point she will just wait to consolidate her loans because the interest rates have already gone up.

When she does decide to consolidate, however, Davis said she thinks she is going to need help doing it because the process is difficult to figure out.

According to the U.S. Department of Education Web site, interest rates for federal student loans change every year on July 1 based on the current U.S. Treasury bill.

This year, interest rates for existing loans jumped from 4.7 percent to 6.54 percent for student borrowers who are in school or in a grace or deferment status.

Consolidating this summer would have been a very good thing, according to www.finaid.com, a Web site that offers information about student financial aid.

"The era of historically low interest rates on student loans has ended, and families are extremely unlikely to see rates this low ever

again," according to the Web site.

Melinda Wood, Truman financial aid director, said students often take out several different loans at different interest rates. She said consolidating those loans would allow the student to merge all of their federal loans, which include subsidized and unsubsidized Stafford loans and Perkins loans, into one and just make one payment to a single lender instead of making several different payments.

"Last year it was really to the benefit of a lot of students to get that low interest rate," Wood said. "... Once you consolidate, that interest rate stays."

However, Wood said only federal loans can be consolidated, and borrowers can only consolidate one time (though they are allowed to take out a second loan at the current interest rate after consolidating).

"To do consolidation, you either have to be in repayment of your loan or in the grace

period," Wood said. "There's a little loophole there in the law that the students can consolidate while they're still in school. All they had to say was they want to go into repayment, and so if they made one or two payments on their loan, even while they're still in school ... then they could consolidate their loan."

Students who need help consolidating can contact a loan servicer such as the Missouri Higher Education Loan Authority. MOHELA processed 78 percent of the \$14.7 million in federal loans for fiscal year 2005 at Truman, said Marilyn Baker, MOHELA client representative.

Baker said the quickest way to consolidate a loan with MOHELA is to go online and complete the forms, but students also can call MOHELA and speak with a consolidation specialist.

"If they've used MOHELA on their loans, they can obtain loan info on the Web site," she said. "Then they can do the electronic signature and submit it, and everything is complete then until they hear from us."

Students are not eligible to consolidate with MOHELA unless they have at least \$7,500 in total loan volume, Baker said.

"Typically the reason they would want to consolidate would be to stretch their loan payment out over a number of years, which would reduce their payment but increase the amount of interest that students are paying," she said.

"The era of historically low interest rates on student loans has ended."

FinAid.com

Feeling the squeeze

Federal interest rates jumped from 4.7 percent to 6.54 percent in July for loans first dispersed between July 1998 and June 2006. Students who didn't consolidate their loans will have a variable interest rate that is calculated every July 1 but is capped at 8.25 percent.

Students are able to consolidate their loans while still in school. For more information on consolidating loans, contact Financial Aid.

Photo illustration Phil Jarrett/Index

Student who didn't consolidate before interest rates went up to 6.54 percent interest June 30, 2006

Loan Balance: \$20,000
Loan Interest Rate: 6.54%
Loan Term: 10 years
Minimum payment: \$50

Monthly loan payment: \$227.50
Number of payments: 120
Cumulative payments: \$27,300.54
Total interest paid: \$7,300.54

Monthly loan payment was calculated at 119 payments of \$227.50 plus a final payment of \$228.04. It is estimated an annual salary of at least \$27,300 is needed to afford this loan. This assumes 10 percent of your gross monthly income will be devoted to paying off student loans.

Student who consolidated at 4.70 percent interest before June 31, 2006

Loan Balance: \$20,000
Loan Interest Rate: 4.70%
Loan Term: 10 years
Minimum payment: \$50.00

Monthly loan payment: \$208.21
Number of payments: 120
Cumulative payments: \$25,105.26
Total interest paid: \$5,105.26

Monthly loan payment was calculated at 119 payments of \$209.21 plus a final payment of \$209.27. It is estimated that an annual salary of at least \$25,105.20 is needed to afford to repay this loan. This assumes 10 percent of your gross monthly income will be devoted to paying off student loans.

Source: www.finaid.org/calculators



Lauren Miller

sex and
the 'ville

Toss the planner to enjoy life

It's 2 in the morning and this column was due yesterday apparently. Here I am, on my third cup of coffee, with a column to finish, an abstract to write, a test to take and an overwhelming desire just to go to bed and give up on life.

But life isn't something you give up on, and I have another pot of coffee brewing.

College breeds this mental planning attitude where everything is future-oriented. We study in hopes of passing future tests. We work in hopes of securing future jobs. We date in hopes of finding our future husband or wife.

I didn't plan very well, which is why I am still up at 2 a.m. trying to finish all of these things for tomorrow. My upcoming week looks dim.

However, during the past weekend I turned 21, and I got nothing accomplished for my future. I killed some brain cells, I gained some fat cells, I ran some miles and I reconnected with some friends. I did not worry

about whether or not the birthday cake would go to my thighs. I did not think about the socio-psychological communication theory. I did not write this column.

I had the best time of my life. I did not plan a thing. I did not think about my future.

They say wisdom comes with age. At 21 years and now two hours, I realize college should breed an in-the-moment mentality.

College should teach everyone to turn 21 like I did. And no, I am not talking about bars, legal booze or booty. It should teach that living life through a planner is not living life, it is planning life. Living life in the moment is actually living.

I want you to know that I realize the downfall of this idea. All these years did not make me naive. If college taught us to live

life moment-by-moment, homework would not be completed, studying would not be done and tests would not be passed. Vegetables would not be eaten.

Thinking about the future teaches us about consequences.

Planning about the future gives us hopes and dreams. So we do homework to learn, we study to be prepared and we take tests to show our increase in knowledge. It all helps us prepare for our upcoming entry into the "real world." We think and plan for the future to make us better

people. We eat vegetables to be stronger.

Almost nothing lacks consequences, so college teaches us to see and evaluate those consequences. Basically, if we plan and prepare, we will enter the "real world" ready with not just a plan of action but a smile as well.

"At 21 and now two hours, I realize college should breed an in-the-moment mentality."

I have a friend who has an immaculate to-do list for every day of her life. Each hour contains a little reminder of what needs to be done. 11:36 to 12:01 my friend studies organic, 12:01 to 12:29 she eats lunch (and it includes vegetables and fat-free dip), from 12:30 to 12:38 she digests lunch. While it might seem nit-picky, she would have had this column done within some 34-minute block on her schedule.

I don't have a list like that, and I am still writing this at 2:59 in the morning.

But at 21 years and now 3 hours, I remember life is about balance.

Every day I run so that in the future I can eat birthday cake and not have fat thighs. However, at Castlewood State Park, I run for the moment. My dog and I stop every time in this one field. We breathe, we stretch, and we smile. The breeze blows, and I know the intrinsic value of life can be found in that field.

Making time for yourself

makes life more marvelous. Filling each time slot in your planner generates accomplishment (assuming you get it done), but turning 21 ultimately taught me that leaving a large blank space in my planner does not equal failure.

So when you turn 21, or when you turn 22, or when it's Sunday, or when you feel like twirling in a circle, or when you feel like crying, forget the planner. Forget the things you should do. Forget the future. Eat the cake, you can run it off tomorrow. Watch the Food Network, you already studied three hours (another 20 minutes will not matter). Dance in your residence hall, walk your dog, watch the clouds, sip some tea. It might not help your future directly, but it will make you smile.

I might deeply regret this live-in-the-moment attitude tomorrow when I take a test and turn in an abstract with only three hours of sleep, but I will still remember a birthday of blissful relaxation. I'll smile because it's a completely fair exchange.

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