





Office of Financial Aid

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REMEMBER:
LOANS ARE SOURCES OF FINANCIAL AID THAT MUST BE REPAYED.

Government-sponsored educational loans are an excellent resource if you decide to borrow to pay for your education. They are better than traditional consumer loans because they usually offer lower interest rates and extended repayment terms, require no collateral, and help students and parents with the costs of education.

Whether or not to borrow to pay for your education is an important decision, and one only you and your family can make. A good education is expensive, but usually worth the investment of time, effort, and money. When you decide to enter the world of credit and finance, you assume new responsibilities, and it is important for you to realize that your loan must be paid back. As with any debt, you are responsible for repaying your loan -- in full -- even if you did not complete school, cannot get a job, or feel you did not receive the educational or other services you purchased. If you do not make your monthly payments as scheduled -- and you do not make any special arrangements with your lender -- your loan will enter default status.

Defaulting on a student loan carries very serious consequences. Among those consequences are damage to your credit (preventing you from securing a future loan for a home or car), garnishment of wages and tax refunds, IRS notification, the addition of collection fees and charges to your account, requirement to pay the full balance, and loss of eligibility for future financial assistance.

The most important step to preventing default is carefully planned borrowing. In order to borrow responsibly, you should consider several factors. First is your budget—If you have not created a budget, you should spend the time to plan carefully for your needs during the academic year. Second, your resources—Have you considered all possible sources of aid before borrowing? Have you explored educational incentive programs through your employer and scholarship resources outside the school (such as church/synagogue, civic organizations, parents’ employers, etc.)? After you have determined your budget and your resources, you may still need to borrow loans to meet the remaining need. Borrow only what you need—do not borrow in excess of your needs or adjust your budget to accommodate excess loan funds.

Remember that you will be living on a budget when you leave school, as well. But, after you leave school, your budget will have to account for repaying your student loans, rather than using loans to supplement your needs. You must understand your responsibilities as a borrower BEFORE YOU BORROW in order to repay your loans successfully. You should create a realistic budget of your expenses after college. This budget will include savings/investments, rent/mortgage payments, student loan payments, car payments, food/groceries, utilities, taxes, clothing (especially new business clothing expenses you may face when you begin a full-time job), medical and dental insurance, car insurance, renters/homeowners insurance, and social activity expenses. Because student loan payments will be a significant portion of that budget for 10 to 20 years, you must think carefully about how much you will be able to afford to borrow. For your convenience, the chart below shows projected monthly loan payments over 10 years:

Table with 8 columns: Loan Amount, Monthly Payment, Months to Repay, Ex: Interest Rate 6%, Interest Paid, Total Paid, and values for \$23,000, \$31,000, \$40,000, \$57,500, \$75,000, \$100,000, and \$125,000.

Aggregate loan limits are set to protect you. The Financial Aid Office attempts to assist you in financing your education; however, we also wish to see our students succeed financially after college as well. You have received this form because you have reached (or are close to) your aggregate loan limits. Please be very careful as you proceed with any additional borrowing opportunities.