



# NEWSLETTER

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## Law School Loans

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## Law School Loans Testimonials

Jessica L. from  
Michigan says...

I just wanted to thank you again, Law School Loans, for helping me through the consolidation process. I was having a hard time with my old company and, and I got all of the help and information I needed. This is very rare to find in big companies, so thank you for all your help.

## THE STAR ACT REVISITED

The Student Aid Reward Act (known as STAR) made its debut nearly two years ago when it was introduced by Republican Representative Tom Petri and Democrat George Miller. At that time, the STAR Act did not reach voting status. During a recent news conference, STAR was reintroduced.

The purpose of the Student Aid Reward Act is to make more financial assistance available to students without raising the costs for taxpayers. If the act is approved, it will help Wisconsin college students statewide. In Tom Petri's district, STAR would add roughly \$1.2 million in student aid. Throughout the entire state of Wisconsin, it could add about \$15.5 million.

In a phone interview with the *Milwaukee Journal Sentinel*, Petri said that the Democratic shift in the House may allow the bill to move further along. The nonpartisan Congressional Budget Office estimates that the bill could save

the government \$13 billion and that at least \$10 billion of that could be new financial aid.

Both parties agree that higher education is a priority. "Higher Education is a key to a better future," said State Senator Gordon Smith, a Republican from Oregon, "and we have to look for every new way to make college more affordable."

Currently, there are two similar programs for student loans that supply the same loans and interest rates to students, but both have been criticized. For example, one program forces students to borrow directly from banks.

Petri claims that, if passed, the STAR Act could generate billions in savings by offering educational institutions a more affordable option for their students. Colleges and universities could hang on to a lot of the money saved by the federal government in the form of Pell Grants.

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## UNDERSTANDING FEDERAL AID IS AS EASY AS 1-2-3

Despite the available information on funding, the large packets distributed by colleges, and the talks with financial aid counselors, it is still very possible to not understand the basics of federal aid. Therefore, we would like to introduce you to three major government programs.

Sure, it would be ideal to write one check that covers all college-related expenses. However, for most Americans—especially for undergraduate students who are at the beginnings of their college educations—that's not a possibility.

### Stafford Loans

The Stafford Loan is disbursed in two distinct versions: subsidized and unsubsidized. Subsidized Stafford Loans are awarded to graduate students based on demonstrated financial need. For students earning their master's degrees, subsidized Stafford Loans are

accommodating because the government pays the interest while students are attending school. Also, there is a six-month "grace period" afforded to students after graduation, during which they do not have to make payments. Repayment begins after this grace period. Unsubsidized Stafford Loans have significant differences. The graduate student is responsible for the interest accruing while in school, although *actual* repayment is deferred until after graduation. The interest accumulates and is added to the loan balance. Unsubsidized Stafford Loans are available to all students, regardless of their level of need.

### Perkins Loans

The Perkins Loan is a highly affordable federal loan since it has a significantly low interest rate of 5% and low fees. However, the Perkins Loan is only available to families based on need. The loan is financed with government funds, and

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the student's school contributes a share. Depending on when you apply, your level of need, and your school's funding level, you can borrow up to \$4,000 for each year of undergraduate study. You may borrow a maximum of \$20,000 over the course of your undergraduate education.

## **PLUS Loans (for students and for parents!)**

There's good news for parents who would like to help with the cost of college via federal aid. If a student is a dependent

undergraduate enrolled at least half-time in an eligible program at an eligible school, his or her parent can borrow a parent PLUS Loan. PLUS Loans are available through the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. In order to be eligible, parents must have an acceptable credit history. The yearly limit on a PLUS Loan is equal to your cost of attendance minus any other financial aid you receive. If your cost of attendance is \$6,000, for example, and you receive \$4,000 in other financial aid, your parents can borrow as much as \$2,000.

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One Wisconsin student, currently a junior at the University of Wisconsin-Stevens Point lobbied for the STAR Act, saying, "If the loan program is passed in this session, there'll be more Pell money and I'll be able to get a grant."

The crisis of affordability is something that is not exclusive to any single state; it is a problem that is increasing yearly throughout the nation. The cost of college goes beyond the expenses of tuition and books. Being a full-time student normally does not allow an individual to have a full-time job, and the smallest cost-of-living expenses can add up quite quickly without a steady income.

## **NEWS IN BRIEF**

### **SCHUMER AND SNOWE UNHAPPY ABOUT ABANDONED TUITION TAX DEDUCTION**

U.S. Senators Charles E. Schumer and Olympia Snowe are seeking answers as to why college tuition tax cuts were left out of the 2008 budget proposal submitted by the Bush administration. Schumer was instrumental in passing a law in 2001 that allotted a deduction of as much as \$4,000 to middle-income families and a deduction of \$2,000 to families with higher incomes. Schumer contends that the absence of funding for the deduction in the 2008 budget is another example of the president's "misplaced priorities."

### **PELL GRANT EQUITY ACT INTRODUCED**

Thousands of students will benefit if a new piece of legislation introduced by Representative Buck McKeon and Representative George Miller is passed by Congress. The Pell Grant Equity Act would repeal the "tuition sensitivity" rule that reduces the annual maximum Pell Grant amount for students attending colleges and universities with lower tuition costs. McKeon said that students should not face the prospect of losing grant aid based on the institutions they choose to attend. According to McKeon, the legislation would remove the incentive for low-cost institutions to increase tuition and make more students eligible for the maximum Pell Grant.

### **SENATE APPROVES PELL GRANT INCREASE**

President Bush has signed a \$464 billion spending bill that increases the maximum Pell Grant by \$260 to \$4,310; furthermore, the bill calls for raising the maximum Pell Grant to \$5,400 by 2012. Introduced by Representative David R. Obey, the bill accounts for a 6% increase-the first increase in Pell Grant funding since 2003.

### **STAR ACT REINTRODUCED**

After having been introduced by Republican Representative Tom Petri and Representative George Miller about two years ago but never brought to a vote, the Student Aid Reward (STAR) Act was recently reintroduced during a press conference. The press conference's audience, which included numerous students and several members of Congress, heard students and lawmakers talk about the rights of all students to pursue college degrees. Mainly intended to reduce fraud and wasteful expenditures of government funds, the act would provide more money to college students to pay for tuition without burdening taxpayers. The conference was attended by Senator Edward Kennedy, Chairman of the Senate HELP Committee; Representative George Miller, Chairman of the House Education and Labor Committee; Senator Gordon Smith; and Representative Tom Petri.

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## MARCH SUMMIT TO ADDRESS HIGHER EDUCATION COMMISSION'S RECOMMENDATIONS

At a gathering of business and higher education leaders in New York City, Secretary of Education Margaret Spellings discussed issues relating to higher education and global competition, as well as the importance of reauthorizing the No Child Left Behind Act. Spellings said that she will hold a summit

next month that will include discussions of the five areas of impact identified by the Commission on the Future of Higher Education: aligning K-12 and higher-education expectations; increasing need-based aid; expanding affordability through cost transparency; serving adults and other non-traditional students; and using accreditation to support and emphasize student learning outcomes.