



THE
CONSORTIUM
Managing Your Finances

Consortium students have the good fortune of receiving a tuition benefit for their MBA program and, in some cases, additional or alternative funding support. Still, this support never covers the full cost of foregoing a full time salary and the additional living expenses incurred over the two-year period of academic studies. The following ideas may assist in helping to plan for living on a tighter budget.

It is wise to take some time and think about your finances. This involves not only what you are walking away from, but what you are about to walk into and what obligations will follow you to school. Take a look at how you spend your money; how much is spent on obligations and how much is spent on fun, leisure, and “luxuries.” If you are able, pay off as many outstanding obligations as you can. This will not only help with studying (not worrying about which bills are due), but it can also help better your credit score. The art of ‘practicing living like a student’ immediately will only make the transition to being a full time student much easier.

In addition to the resources and ideas suggested below, you will find a useful tool for assistance with educational and related expenses on the Graduate Management Admission Council (GMAC) website. While some of the advice on the general web page entitled “Make Your Decision” is likely to be irrelevant at this point in your process, the useful tips on stretching your expense dollars and on the financial aid process at the bottom of the link are very helpful.

Go to <http://www.mba.com/mba/MakeYourDecision> - see “Paying for your MBA” at the bottom of the page, especially the section that discusses the “Financial Aid Process” on the right side of the page.


Another good reference is to be found at
http://www.businessweek.com/bschools/content/sep2007/bs20070911_367964.htm

In addition to advice from these sources, be sure to contact your school’s Financial Aid Office or visit their web site to see if they require any other information or forms to apply for federal loans as some schools do require a supplemental financial aid application to be eligible.




Loan Types:

Federal Perkins Loans




The Perkins loan program is a federal loan program that provides low interest (5%) loans to students who demonstrate exceptional financial need. No interest accrues on the loan and repayment does not begin until nine months after the student graduates or is no longer enrolled on at least a half-time basis. Perkins loans are administered through GSIA and funds are limited. A separate loan application is not required. To accept this award, the student must sign a promissory note in the Financial Aid Office at the beginning of the fall semester.

Federal Subsidized Stafford Loans*




The subsidized Stafford loan is a need-based, federally-assisted program that enables eligible graduate students to borrow a maximum of \$8,500 each academic year. Interest is subsidized by the federal government while the student is enrolled at least half-time. Repayment of principal and interest begins six months after the student graduates or six months after the student is enrolled less than half time. When the loan is disbursed, a nonrefundable insurance premium of up to 1% may be deducted from the loan principal by the loan guarantor. In addition, an origination fee of up to 3% may be deducted from the loan proceeds by the lender.

Federal Unsubsidized Stafford Loans*




The unsubsidized Stafford loan is similar to the subsidized Stafford loan; however, the interest for the unsubsidized Stafford loan is not subsidized by the federal government. Borrowers may make quarterly interest payments or may have interest capitalized (added to the loan principal). Eligible graduate students may borrow up to a combined maximum total of \$20,500 per academic year in Stafford subsidized and unsubsidized loan funds. Repayment of principal and interest begins six months after the student graduates or six months after the student is enrolled less than half time. The same fees that are charged for subsidized federal Stafford loans apply to unsubsidized federal Stafford loans.



* The federal Stafford loan interest rate for new borrowers is now a fixed rate of 6.8%. Borrowers are required to attend a brief entrance interview and information session before loan disbursement. Students must meet the academic progress guidelines of their program of study to be eligible for any type of federal financial aid.



Federal Graduate Plus Loans



Grad PLUS loans are federally sponsored loans for independent students attending graduate school. With a Graduate PLUS loan, you may borrow up to the full cost of your education, less other financial aid received.

- You may be eligible for a Graduate PLUS loan if you are enrolled in school at least half time.
- A credit check is required. (the criteria is a bit more relaxed than that of a private loan)
- You must be a U.S. citizen or national, a U.S. permanent resident, or an eligible non-citizen.
- You must submit a FAFSA.

Features:

Flexible repayment options are available.

- Fixed interest rate.
- No payments while you are in school at least half time.
- There is no prepayment penalty.
- Easy online application and approval process with an instant credit decision.
- Interest may be tax deductible.
- You can align repayment of your Graduate PLUS loans with your Stafford loans.

The process is very similar to the Stafford Master Promissory Note, and you can use your PIN from your FAFSA to sign electronically.

To apply for Federal Loans:

1. Complete federal income tax returns: www.irs.gov
2. Request PIN: www.pin.ed.gov
3. Complete FAFSA: www.fafsa.ed.gov
4. Additional Information: www.studentaid.ed.gov

Ombudsmen Information

If you have a problem with your loans that you believe has not been fully resolved by the school's Financial Aid Office, please contact the Office of Student Financial Aid Ombudsmen. The OSFA Ombudsmen will informally investigate borrowers' complaints. Although they do not have the authority to reverse decisions, they can offer solutions and work to bring about changes to prevent future problems.

URL: <http://sfahelp.ed.gov>


Telephone: 1-877-557-2575

**Mail:**

Office of the Ombudsman
Student Financial Assistance
U.S. Department of Education
Rm. 3012, ROB #3
7th and D Streets, SW
Washington, DC 20202-5144

**Budgeting for the MBA Experience**

Some other ideas that will help stretch your dollars and prepare you for a tighter budget include:

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- Use public transportation when able
 - Assess your vehicle insurance costs
 - Write down how much you really spend on eating out
 - Pack your lunch instead of eating out
 - Examine your shopping habits (are you an impulse buyer?)
 - Request copies of your credit report from all three agencies
 - Review closely and close accounts that are no longer being used
 - Dispute discrepancies and maintain a file with all correspondence
 - Opt out of mailed, pre-approved offers

**Helpful Links:**

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1. Credit report: www.annualcreditreport.com
 2. Opt out: www.optoutprescreen.com
 3. Budgeting: <http://www.youcandealwithit.com/>
 4. Scholarship Search: www.blackexcel.org
 5. Business Week interview:
http://www.businessweek.com/bschools/content/apr2005/bs20050418_5755_bs004.htm