



FINANCIAL LITERACY GUIDANCE FROM FEDERAL STUDENT AID

The Basic Budgeting

Practical
Federal
Budgeting

Reference

University of
Federal
Practical

Reference

The Financial Literacy
Reference Center
Reference
Service

BUDGETING

The Basics of Budgeting

The basic budgeting process starts with identifying your needs and wants. You should then create a budget that lists all your expenses and income. This will help you understand how much money you have left over each month. For more information, visit StudentAid.gov.

The next step is to track your spending. You should keep a record of all your purchases and compare them to your budget. This will help you see if you are staying within your budget. If you are not, you may need to adjust your budget.

The Benefits of Budgeting

Budgeting can help you in many ways. It can help you save money, avoid debt, and reach your financial goals. It can also help you understand your spending habits and make better choices. Budgeting is a key part of financial literacy and can help you achieve your dreams.

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Needs vs. Wants

I am a deaf student. I need a hearing aid to be able to hear. I also need a laptop to be able to take notes. I want a new pair of shoes, but I don't need them. I also want a new phone, but I don't need it. I need to eat food to survive, but I don't need to eat a fancy restaurant. I need to sleep, but I don't need to sleep in a fancy hotel. I need to breathe, but I don't need to breathe fresh air. I need to be able to move, but I don't need to be able to move quickly. I need to be able to think, but I don't need to be able to think quickly. I need to be able to feel, but I don't need to be able to feel everything. I need to be able to love, but I don't need to be able to love everyone. I need to be able to live, but I don't need to be able to live forever. The goal is to have what you need and not what you want.

BORROWING

Borrowing Fundamentals

Money is borrowed from the lender to pay for the purchase of goods and services. The borrower must repay the lender with interest. The interest is the cost of borrowing money. The interest rate is the percentage of the principal amount that the borrower must pay for the use of the money.

Before borrowing, the borrower should consider the terms of the loan, such as the interest rate, the repayment schedule, and the consequences of defaulting on the loan. The Federal Work-Study Program is a type of loan that allows students to work on campus and earn money to pay for their education.

If a borrower is unable to repay a loan, the lender may take legal action to collect the debt. The William D. Ford Federal Direct Loan Program is a type of loan that allows students to borrow money to pay for their education. The federal government guarantees these loans.

Private Loans

Private loans are loans that are not guaranteed by the federal government. They are typically offered by banks, credit unions, and other financial institutions. The interest rate on private loans is usually higher than the interest rate on federal loans.

Before borrowing a private loan, the borrower should compare the terms of the loan to the terms of a federal loan. The borrower should also consider the consequences of defaulting on the loan.

Federal Loans

William D. Ford Federal Direct Loan Program

Direct Subsidized Loans

Direct Subsidized Loans are loans that are guaranteed by the federal government. The interest rate on these loans is fixed, and the federal government pays the interest on the loan while the borrower is in school.

Generally, the interest rate on these loans is lower than the interest rate on private loans. The borrower must repay the loan after graduation.

Direct Unsubsidized Loans

Direct Unsubsidized Loans are loans that are guaranteed by the federal government. The interest rate on these loans is fixed, but the borrower is responsible for paying the interest on the loan while the borrower is in school.

Since the interest rate on these loans is higher than the interest rate on subsidized loans, the borrower should consider the consequences of defaulting on the loan.

The interest rate on these loans is usually higher than the interest rate on private loans.

Direct PLUS Loans

Direct PLUS Loans are loans that are guaranteed by the federal government. They are typically used to pay for the education of parents or graduate students. The interest rate on these loans is fixed, and the borrower is responsible for paying the interest on the loan while the borrower is in school.

Before borrowing a Direct PLUS Loan, the borrower should compare the terms of the loan to the terms of a federal loan. The borrower should also consider the consequences of defaulting on the loan.

Parents can borrow Direct PLUS Loans to pay for their child's education. The borrower must be a U.S. citizen or permanent resident. The borrower must also have a credit check.

Direct Consolidation Loans

Direct Consolidation Loans are loans that are guaranteed by the federal government. They are used to consolidate multiple federal student loans into a single loan. The interest rate on these loans is fixed, and the borrower is responsible for paying the interest on the loan while the borrower is in school.

Before borrowing a Direct Consolidation Loan, the borrower should compare the terms of the loan to the terms of a federal loan. The borrower should also consider the consequences of defaulting on the loan.

Federal Perkins Loan Program

Perkins Loans are loans that are guaranteed by the federal government. They are typically used to pay for the education of students who are in need. The interest rate on these loans is fixed, and the federal government pays the interest on the loan while the borrower is in school.

Generally, the interest rate on these loans is lower than the interest rate on private loans.

Scholarships are a type of financial aid that does not need to be repaid.

Borrower Responsibilities and Options

When you get a federal loan, the lender will require you to sign a promissory note and a master promissory note (MPN). These documents outline your responsibilities and options.

What are my responsibilities?

When do I have to start repaying?

Do I have to pay interest on my loan?

How do I get a deferment?

When can I become delinquent?

If I become delinquent, what are the consequences?

Can I defer my loan payments?

What are the consequences of defaulting on my loan (e.g., a default on a federal loan)?

What can be done to help me if I am having difficulty repaying my loan (e.g., a deferment or forbearance)?

REPAYMENT

Understanding Repayment

Education loans are repaid by the borrower. The lender will provide you with a repayment schedule. You can choose to make payments on a monthly basis or a bi-monthly basis. You can also choose to make payments on a quarterly basis. The Department of Education (DOE) provides information on repayment options. For more information, visit [StudentLoans.gov](https://studentloans.gov) or myDirectLoan/counselingInstructions.action.

See the Federal Acquisition Regulation (FAR) at 48 CFR 101-11.9 (T13.6) 18.6(489 MCI 8S) 2.9(A) 5() 220.8(F) 41.33626)) 3.

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Federal Student Loan Servicers

FSA a g fede a de a a e ce
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