

# Student Lending

When considering borrowing money for your secondary education, an important first step in the process is to create a budget. Many people believe budgeting is about being a penny pincher, but it's not. Budgeting is about managing your money better so you have more of it.

People who keep track of their expenses often have more money left over at the end of the month than people who simply pay out money without following any kind of spending plan. It costs nothing to make a budget and you save money.

So, no excuses, right now figure out what your expenses will be for each month during the school year. Write everything down including food and snacks, magazines, books, school supplies, movies/DVDs, entertainment, clothes, sports equipment, etc.

The Government of Canada has an excellent Web site where you can fill out "the real life budget". Go to <http://www.canlearn.ca/aftergraduation/debtplanner/clindex.cfm?langcanlearn=EN>) to create a basic budget.

To help plan for the costs of attending university you can check your university's Web site to see if they have their fees listed online. University of New Brunswick has a great Web site - [www.unb.ca](http://www.unb.ca) - where you can view the total costs of attending and plan for your school year.

Once you have completed your budget, see if there are any areas where you can cut back. For example, go to the movies on cheap night, shop at second-hand stores or make your lunch at home instead of buying it at school.

Will your income, savings, scholarships and bursaries cover your expenses? If you are like most students, the answer is no. The solution is usually a government student loan or another type of student or personal loan.

But how much debt can you really afford? To answer this question, find out what you can expect to earn when you graduate.

Now calculate your cost of living after graduation including rent, car payments, food and entertainment.

How much money will you have left over to make loan payments? This number will help you determine how much debt you can safely assume.

If you are lucky enough to get approved for a government student loan you don't have to pay anything, including interest, until six months after you graduate. With most other student loans you pay at least the interest while you are in school.

For example, at OMISTA we offer 10-year student loans to full-time undergraduate students attending a post-secondary educational institution. In many cases the student will need a qualified co-signer to obtain the loan. With an OMISTA student loan you pay monthly interest while you are in school. You have until six months after you graduate to begin making payments.

You are eligible for up to \$6,500 per year and up to a total of \$26,000. If you decide to

carry your education to the post-graduate level, you are eligible for additional funds.

Another product students use to finance their education is credit cards. Most financial institutions offer student credit cards to help you build good credit. At OMISTA we offer a no-fee, low-rate student Master Card.

When you go to university or college, several credit card companies will probably offer you various free gifts and incentives to get you to sign up for their credit card. It may sound like a good deal at the time, because hey, you don't actually have to use the card. But beware.

The more credit cards you sign up for, the lower your beacon score. Lenders use your beacon score to determine how much money you can borrow. By applying for several credit cards, you look like a credit seeker. Therefore the Credit Bureau lowers your beacon score.

Instead, wisely choose only one credit card with a low rate. If you do want to apply for another credit card, cancel your old one.

It is important to start building your credit as soon as possible as long as you are responsible and aware of the consequences of not making your payments.

With a credit card you can easily run into troubles if you lose track of your purchases or get desperate. Sometimes just because you have a credit card in your pocket, you use it, even though you can't afford to.

For example, one student racked up so much debt on his credit card that he wasn't able to pay for his education. He is not allowed to return to college in the fall until his debts to the school are paid.

Loans and credit cards are not the only thing you should shop around for when you are trying to save money. You should also look for the best student account packages.

For example, at OMISTA we offer savings accounts with free services including free interac direct purchases, free credit union ATM transactions, five free non-credit union ATM transactions, free pre-authorized debits and free telephone and on-line banking.

For \$3 a month you can also have a chequing account with all of the above services as well as pre-authorized payments, unlimited chequing privileges and cheque orders.

Free service charges are important especially if you frequently use your debit card and ATM machines. If you have a lot of pre-authorized payments coming out of your account, sit down at the first of every month to ensure you have enough money in your account to pay your bills. NSF (not sufficient funds) charges are extremely costly and embarrassing.

It is important to look for a financial institution that has on-line banking so you don't have to worry about how you are going to get to your financial institution.

With on-line banking you can check account balances, transfer money, get statement information and even pay bills without having to leave your dorm room.

When you are in school, you usually don't have any extra money to invest. But if you are putting aside savings for next year, why not put it in a term deposit or GIC instead of a low interest bank account.

With term deposits and redeemable GICs, you are guaranteed to get your money back with interest.

If you are going to invest, you should visit someone at your financial institution who can provide you with more information and help you choose the right investment.

The important thing to remember is "a jug fills drop by drop". Every penny you save now, is one penny you don't have to pay back in interest when you graduate. Stick to your budget, look for the best student deals and discounts and be sure to have some fun in between your studies. You budgeted for fun, right?