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Graduate School Loans Testimonials

Johnny K., Pittsburg, PA

The loan representative handling my loan was extremely aggressive in following up on a consolidation application I started. And I'm thankful for that. Because of all the reminders, and the convenience of pre-paid FedEx envelopes, I'm sending my application back and will save lots of money. Thanks for not forgetting about me.

IRS REMINDS STUDENTS OF "TAX-ADVANTAGED EDUCATION EXPENSES"

- SURAJIT SEN SHARMA

On September 11th, the IRS news release "Back-to-School Tax Breaks Help Teachers Pay Classroom Costs; Aid Parents, Students With College Tuition" stressed the importance of saving receipts and maintaining expense records to take full advantage of deductions on educational expenses and credits available on federal income tax returns for 2007.

IRS Acting Commissioner Linda Stiff stated, "The start of the school year is a good time to remind parents, students, and teachers to save all receipts related to tax-advantaged education expenses." She further added that good recordkeeping makes sense because it can help avoid missing a deduction or credit come tax time.

The deductions related to educator expenses allow educators, including teachers, to deduct the costs of books, supplies, equipment, and software used in classrooms. Educators working 900 or more hours per school year in public or private elementary or secondary schools are eligible for these tax breaks.

For post-secondary education, three vital tax breaks are available to help parents and students. These are:

- tuition and fees deductions
- Hope credits
- lifetime-learning credits

While Hope and lifetime-learning credits will still exist, tuition and fees deductions will expire this year. Records show that in the 2005 tax year alone, taxpayers claimed tuition and fees deductions totaling almost \$11 billion and education credits totaling nearly \$6.2 billion.

In the case of college education, a taxpayer can claim deductions on any enrollment fees or tuition fees paid for his or her dependant's or own education. However, both education credit and tuition and fees deductions cannot be claimed at the same time for the same student.

The IRS news release mentioned that the new Form 8917 needs to be used to claim tuition and fees deductions for 2007, while education credits will be claimed on Form 8863.

There are several special rules and income limits that apply to each of these tax breaks. IRS Publication 970, "Tax Benefits for Education," helps people understand these special rules and provisions regarding eligibility for education-related tax breaks. Other education-related benefits such as 529 plans, student loan interest deductions, Coverdell education savings accounts, and the education savings bond program are also explained in the publication.

EFFECTS OF THE NEW LEGISLATION

- SHAILEJA MAMMEN

President Bush has agreed to sign The College Cost Reduction Act of 2007 despite his initial opposition to it and fear that it will bring far-reaching changes to federal student loan programs.

The legislation was the result of widespread dissatisfaction with the practices adopted by student lenders to acquire more student loan business.

The changes, effective October 1st, include elimination of \$22.32 billion in subsidies for for-profit lenders; 50% reduced interest rates on need-based loans; an increase in Pell Grants to \$5,400 per year; and loan forgiveness after 10 years for students if they become law enforcement officers, firefighters, nurses, public defenders, librarians, or early childhood teachers.

Some of these changes will result in:

- reduction of competition among student lenders
- reduction of benefits, such as discounts on fees and interest rates, for student borrowers

- reduction of profitability from student loan business
- layoffs at student lending organizations
- an increase in loan origination fees and late fees
- an increase in penal charges and interest on defaulted loans
- reduced discounts on loan consolidations

Student lenders that were heavily dependent on federal subsidy will be affected the most. This will force student lenders to find profitable ways to replace the subsidies.

Nonprofit lenders, however, are not under pressure to demonstrate profits to shareholders, and they do not have to worry about capital flowing out of their student lending businesses. This is because some of them use tax-exempt bonds to finance student loans that will not be affected by the new legislation; thus, their products will remain unchanged in terms of fees and interest rates.

NEWS IN BRIEF

NEW HAMPSHIRE CONGRESSMAN OPPOSES FINANCIAL AID BILL

Former Senate Budget Committee Chairman Judd Gregg was the only New Hampshire congressman to vote against a plan to bolster financial aid to students by slashing about \$20 billion in government subsidies to lenders. According to Gregg, the bill will actually cost 2,900 times as much as its supporters say it will save. Criticizing the bill, Gregg said, "The problem with this is that this bill, and the manner in which it's brought to the floor, basically puts a stake through the heart of the budget process." The bill will increase the maximum Pell Grant from a little over \$4,300 to \$5,400 by 2012.

SDSU HAS NEW ENDOWED SCHOLARSHIP

San Diego State University has created a \$100,000 endowed scholarship in memory of Carol Forrest, a former member of the SDSU Alumni Association's board of directors. The Carol Forrest, P.E., Memorial Watershed Management Scholarship Endowment will help College of Engineering

graduate students interested in studying water resources affected by storm water and urban runoff. Forrest, who passed away a year ago, was a well-known San Diego-based civil engineer and specialist in erosion and sediment control. Her former employer, Geosyntec Consultants, and widower, Michael Harding, are funding the scholarship.

UT LEAD TO HELP THE UNDERPRIVILEGED

Students who have been awarded the Tennessee Pledge and Tennessee Promise scholarships at the University of Tennessee will now be eligible for the UT LEAD program. Returning recipients of African-American Achiever and African-American Incentive Grant scholarships are also eligible for the program. UT LEAD promotes academic excellence and undergraduate success by adding structure to students' first years, providing each participant with a personally assigned academic counselor and leadership development program. Managed by the Student Success Center, UT LEAD is a partner of the Office of Equity and Diversity, the Black Cultural Center, and Career Services and brings together students from diverse backgrounds.