

Graduation '99: surviving student loans

By Diana McCabe
Knight-Ridder Newspapers

Wally Wollangk got his college degree, but not his diploma. The 28-year-old Mission Viejo, Calif., man owes \$3,000 in student loans to the University of La Verne, where he graduated in 1996 with a bachelor's degree in communications. He'll get the parchment only when he repays the loan.

But looming ahead of him is an even bigger student debt, a \$23,000 federal Stafford loan he defaulted on. Wollangk is learning what everyone with student loans should know: Their options for repaying those loans and the stiff consequences if they don't meet their obligations.

Even before he graduated, Wollangk had been nervous about repaying his loans. Once out of school, he didn't land the broadcasting job he dreamed about and instead struggled to make ends meet with odd jobs. When the loan was handed to a collection agency, Wollangk was distressed. And when his \$1,100 tax refund was withheld, he was shocked.

"I didn't take (the loans) seriously at first. I thought, 'What could they do to me? I didn't have a job.'" It's the sort of rude awakening that Wollangk and experts say many young adults are in for if they don't keep track of their student loan debt and sidestep avoidable problems.

If you default on a federal loan, as Wollangk learned, the government can snag your tax refund and apply it to your debt. In other cases, a percentage of your wages can be sliced off to pay the loan. Your credit record will be shot, which will make it tough to get a loan for a home or car. And forget about qualifying for any more federal student aid.

It's easy for young adults to leave school enmeshed in debt. Student

loans add up quickly, with the average running \$10,000 to \$12,000 for four years of undergraduate school. Those who borrowed for graduate school will owe on average an amount ranging from \$20,500 to \$31,200, according to a 1997 national student-loan survey sponsored by Nellie Mae, the fourth-largest holder of education loans.

Student-loan volume has more than doubled in the past 10 years. In fiscal 1998, 5.9 million students borrowed \$38 billion in federal loans, according to the U.S. Department of Education. Tens of thousands of recent graduates fall behind on student-loan payments and then default on the loans altogether. In the most recent tally, the national student-loan default rate in fiscal 1996 was 9.6 percent, representing 197,338 borrowers in default from a survey of more than 7,000 schools. That was down from a rate of 10.4 percent in fiscal 1995.

"A lot of people are surprised by how much they owe when they get out," says Patricia Scherschel, director of policy research and consumer issues at USA Group Inc., the nation's largest student-loan guarantor and administrator. "They borrowed one by one and don't see the totality of it. Psychologically, people don't want to deal with it, so they put it off."

But delaying is the worst thing borrowers can do, experts say. Students preparing to graduate need to figure out how much they owe as well as how many and what types of loans they have. A budget is a must. The more you know about your loans and your financial situation, the better equipped you'll be to choose a repayment strategy. The best way to get rid of student-loan debt is to pay the loans back as quickly as possible, because interest starts building up as soon as the loan is taken out.

That's a fact that's not immediately

obvious to many students, because almost all student loans have a grace period before payments must begin. For example, students with federal Stafford loans, the largest student-loan program, don't have to start repayments until six months after they leave school. But if you can afford to prepay, do it, experts say. There are no penalties for paying off your loan early.

If you have an unsubsidized federal loan, you are responsible for paying all of the interest that accrues. Interest rates vary depending on the type of loan you have and when you got it. A Perkins loan for financially strapped students carries an interest rate of about 5 percent. The rate on a Stafford loan is 8.25 percent.

Many students get a nasty lesson in interest when their first statement arrives. They didn't know that interest accrued while they were in school even though they didn't have to make any payments. If you can afford to pay the interest as it accrues while in school or during those postponements, you'll be a little ahead when it comes time to repay your principal. USA Group estimates accrued interest adds about \$70 per year for every \$1,000 you borrow in student loans.

If you're having problems repaying a student loan, here are some options: Check with your lender to see if it offers incentives or rate discounts. Borrowers with the Student Loan Marketing Association, or Sallie Mae loans, who make their first 48 monthly payments on time get a 2 percent interest-rate reduction on the remaining term of their loan. If borrowers allow monthly loan payments to be automatically deducted from their bank accounts, they'll receive a 0.25 percentage point cut on their rate. If you owe \$7,500 and took advantage of those two Sallie Mae incentives, you'd save \$590 at

the end of your 10-year payment schedule. Other lenders offer similar programs.

If you can't make payments, let your lender know. Even at the slightest hint of trouble, "pick up the phone and call," says Janet Waters, an account executive at Sallie Mae. You might be eligible for a deferment or forbearance. Both are ways to postpone payment on your student loans but under different circumstances.

You have to apply for a deferment or forbearance and until it is approved, you must continue to make payments on your loan. And if your loans aren't subsidized by the government, interest will accrue as well. Make sure your lender has your current address and phone number. They can't send notices or statements if they don't know your whereabouts, which is what happened with Wollangk. He moved several times after graduation and lost touch with his lender. "Don't do that," he now advises. "It's a big mistake." Wollangk says he never got important notices or updates on the status of his loan.

Pick a repayment plan that works for you. Borrowers have several options here. After graduating, borrowers should use the grace period to figure out which repayment plan best fits their financial situation. Borrowers need to consider how much debt they can afford to repay based on what they expect to earn. Most lenders offer budget worksheets and tips to help calculate repayments. There are a number of software programs such as Quicken that can help borrowers set up budgets, too. If you owe money for a car or have a big credit-card debt to repay, factor in those financial obligations when figuring out which repayment plan is for you.

The most common way to repay a loan is via the 10-year level plan, or standard plan. Borrowers pay off their

loan in equal monthly installments over 10 years. Some borrowers might opt for a graduated repayment plan, which allows them to start out with low payments that gradually increase as their ability to pay more grows. Or students might choose to repay their loans over 12 to 30 years. The longer time period means you'd pay less in monthly installments than under a 10-year plan, but you'll pay more in interest over that long haul.

Let your lender help you rethink your payment plan if you find yourself in a financial pinch. Even after borrowers choose a plan and begin repayments, they might later need to consolidate loans or modify payment strategies as their income shrinks or grows. If that happens, you can switch payment plans.

If you have several loans, you might want to consider a consolidation loan. If your loans are with different lenders, consolidating lets you make one monthly payment instead of several. Consolidating can also lower the total of your monthly payments, which means you'll have more money for other financial obligations, such as child care or a car payment. But since you're spreading the payments out over a longer period of time, you'll pay more in interest expenses, and the total cost of your loan increases.

The main goal for all borrowers, however, is to steer clear of delinquency and default.

"Every day your payment is late, the interest meter still ticks away," Scherschel says. And on top of the interest that accrues, you'll pay various late-payment penalties and collection fees if your loan is in default. At Sallie Mae, late fees can run \$5 to \$10 a month, Waters says. Once your loan moves to a collection agency, you will probably face an 18.25 percent collection penalty on the outstanding balance.

Use a new federal tax break for student-loan interest, if you qualify. Uncle Sam is trying to ease the interest expense crunch. Some borrowers might be eligible to take a deduction for part or all of the interest paid (up to \$1,000) on a student loan on their 1998 federal tax return. Over the next three years, that deduction will increase by \$500 a year, reaching a maximum of \$2,500. But his tax break comes with many stipulations and requirements. It's best to consult a tax expert to see if you qualify.

If you do default on a federal loan, there is still a way out. You'll need to contact the collection agency, work out a payment schedule and stick to it. That's what Wollangk is doing. Right now, his job as a loan consultant pays him enough to make a \$100 monthly payment on the Stafford loan. That just covers the interest and doesn't even begin to touch the principal, though.

However, if he can increase his payments to \$267 a month for the next four or five payments, Sallie Mae will take him out of collection. Wollangk says. Then, he can work with Sallie Mae on a new payment plan. But that's a steep increase for Wollangk, who makes about \$1,800 a month and has his 1-year-old daughter and her mother to support. Part of his salary goes toward insurance and utilities (he lives with his daughter's grandparents) and toward a \$225 car payment. There's also the \$75 he pays La Verne monthly for the \$3,000 loan.

He's yet to figure out exactly when he'll be out of debt. The idea of how much he might owe is too overwhelming to think about right now, Wollangk says. He would love to go back to school for a master's degree, but finds his current debt so intimidating that it's out of the question. "Education is a great thing and I don't regret mine. But I regret how I approached paying my loans back."

Olestra-based snacks give students a run for their money

By Erin Smith
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MADISON, Wis. (CPX) - Many students who are consuming Olestra-filled snacks to cut down on their fat intake are paying for it later. Only a few hours later to be precise.

They say they're making more trips to the bathroom these days because of Olestra, the wonder-oil developed by Proctor and Gamble and distributed in many products, including the awfully popular snack on many campuses, Lay's Wow! Potato Chips.

To make a dent in the 774,000 tons of fat and salty snacks Americans consume each year, Proctor and Gamble developed the low-calorie, fat-free chips that it says are as crispy and tasty as the regular thing. The breakthrough was attributed to Olestra, and students have been scarfing down the chips ever since their national debut last year.

But not without some regrets. "I thought they were very tasty, but they gave me diarrhea," Hollie Beuning, a sophomore at the University of Wisconsin said. She's not the only one. The chips even come with a warning on every bag: "Olestra may cause abdominal cramping and loose stools. Olestra inhibits the absorption of some vitamins and other nutrients."

Wow! chips are fried in Olean, the brand-name of Olestra, a fat-free cooking oil. When test marketed in Ohio and Indiana, some consumers reported a variety of gastrointestinal problems ranging from severe stomach cramps to diarrhea. News of the symptoms spread fast and has, even one year later, discouraged some people from even tasting a Wow! chip. Nicole Baragas, an employee of a convenience store at the University of Wisconsin, said she doesn't want to invite trouble.

"But they're selling like mad," Baragas said. "People are eating them up because they're fat-free. That's the reason they're buying them." Beuning said that's precisely the reason she tried them, and has

continued eating them despite the occasional trouble they've caused her.

"Although I'm concerned about the information I've heard about Olestra, I'll still eat them (the chips) because they are fat-free," she said. Olean is manufactured from cottonseed and soybean oils and, according to Becky Yaeger Kimbell, supervisor of corporate communications for Proctor and Gamble, works like this:

A normal triglyceride, or fat molecule, is made up of three fatty acids. In Olestra, using soybean or cottonseed oils, more fatty acids are added to the original three, creating a fat molecule with six to eight fatty acids. Because of the added acids, the fat molecule becomes too dense for the digestive system to break down, which allows the entire fat molecule to pass through the body without being absorbed.

"The way Olean works is similar to how certain fibers pass through the digestive system," Yaeger Kimbell said. And that, she added, may be why some people have attributed their digestive problems to Olean. Teig Whaley-Smith, a UW-Madison junior, said he enjoyed the taste of the Wow! potato chips but the sickness he felt after eating them offset the benefits of having a fat-free, salty snack.

"I had experienced some digestive problems after eating them the first time but, I wasn't sure if the chips were the cause," he said. "However, I had not changed anything in my diet and I knew the second time I ate the chips and got sick that they were the reason." Heavy consumers of Olestra-filled products should not only worry about their upset stomachs, said Michael Jacobson, executive director of the Center for Science in the Public Interest, based in Washington, D.C.

"Gastrointestinal symptoms like diarrhea, cramps and gas are short-term problems," he said. "The long-term problem is that Olestra reduces the body's absorption of nutrients called carotenoids, which may reduce the risk of cancer and heart disease. That's not proven, but many researchers are troubled by Olestra. Getting the best information is going

to be a gradual process. And there's really no way of knowing when we'll get the information needed to make a decision."

The occurrence of side effects related to Olean appear to be quite random. It appears that people who run into digestive trouble after consuming any products containing the oil are in a vast minority. Even Weight Watchers has referred to the Wow! chips as an alternative to regular chips in its diet plan. Jeremy Coening, a senior at UW-Madison who was part of a Frito-Lay test-market study in Eau Claire, Wis., said he has never experienced any problems with the Olean snacks.

"Eau Claire was a major test site for the Doritos Max [made with Olean]," he said. "Believe me, I had my fair share of those Doritos and never had a problem." Neither has UW sophomore and Wow! fan Tom Paprocki. "They tasted really good," he said. "You couldn't tell the difference between these and regular chips."

Frito-Lay has received far more calls from consumers who are praising Wow! chips than panning them, said company customer representative, Bill Cabaniss. For those consumers who did report health problems related to Olean, Proctor and Gamble asked them to participate in a study to assess the validity of these complaints. Yaeger Kimbell said the participants sampled potato chips on four different occasions. Twice the chips were regular, and twice they were fried in Olean. The participants did not know which chips they were sampling.

"Among the 98 people who participated in the study, no correlation was found between their gastrointestinal problems and the Olean chips," she added. The choice to try snack products made with Olestra rests on a person's knowledge of how their body reacts to certain foods and their comfort level with the product. "Olean is just like any other food ingredient, for instance some people are affected differently by onions than others," Yaeger Kimbell said. "Gastrointestinal effects are just a fact of life."

The scribe behind 'Sunscreen' vibe is chick named Mary Schmich

By Christine Tatum
College Press Exchange

CHICAGO (CPX) - He might be a famous author 'n all, but Kurt Vonnegut didn't have anything to do with a song that's climbing the Billboard Hot 100 pop charts and likely to be the hippest tune playing at graduation celebrations this year.

Someone who posted the words that were set to music and called "Wear Sunscreen" told all of his or her e-mail buddies that Vonnegut, the author of "Breakfast of Champions" and "Slaughterhouse Five," had delivered the spiel in a commencement speech at the Massachusetts Institute of Technology.

"Sing," Vonnegut supposedly said before moving on to other pearls of wisdom such as "Floss," "Stretch," and "Get to know your parents." It's a nice story that never happened. But what is certain is that the e-mail landed in the hands of Australian movie director Baz Luhrmann ("William Shakespeare's Romeo and Juliet," "Strictly Ballroom"), who at the time, lo and behold, was working

on a compilation of reinterpretations of songs featured in his films and stage productions.

Luhrmann called Vonnegut's people, who talked to Vonnegut, who graciously pointed everyone in the direction of a woman named Mary Schmich. Mary Schmich? She's actually pretty well known to readers of the Chicago Tribune, where she writes a regular column and has been fielding mountains of phone-calls and e-mail since people have figured out that she's the scribe behind the vibe.

"I was on deadline when I wrote it, and I didn't really think about it resonating with any particular age group, but now that I've been forced to analyze it, I have thought that on some level I was talking to my 17-year-old self," she said. Of all the advice "Wear Sunscreen" offers, perhaps the best for young graduates is in the seventh paragraph, Schmich said.

"Don't worry about the future," it begins. "Or worry, but know that worrying is as effective as trying to solve an algebra equation by chewing

bubblegum. The real troubles in your life are apt to be things that never crossed your worried mind, the kind that blindsides you at 4 p.m. on some idle Tuesday."

"Young people today are so obsessed with knowing now what they're going to do for the rest of their lives," Schmich said. "And you can't know that. I had no vision when I graduated from college. I'm an example of someone who didn't know what I wanted to do and managed to find something I loved anyway."

Like penning lyrics for hit songs? "Oh, I never imagined this," she said. "The song is quirky, wacky and ingenious. I like to think of it as multimedia in a multimedia age."

Given that she was confined by time and space, Schmich said she left out quite a few other pearls she would have liked to pass on. "I wish I had made some mention of the need for some kind of social obligation, commitment to something beyond yourself or your family," she said. "But I don't know how I would have phrased it."

Tattoo for lunch, please: restaurant offers free food for marked customers

By Christine Tatum
College Press Exchange

SAN FRANCISCO (CPX) - Some people will do anything for free food. A Mexican restaurant is offering a lifetime of free lunches to the first 50 people who get a tattoo of its logo, Jimmy the Corn Man, a sombrero-clad mariachi boy riding a blazing cornucopia over the phrase "Flavor out of this world." All customers have to do is show a cashier the tattoo, which can be any size and on any body part, to collect their free meal.

"We've decided to accept variations," said Marty Sanchez, whose grandfather established the eatery in 1927. "Some people really play up the cornucopia, while others go for a little different look."

Since the offer was announced six months ago, 39 people have earned a permanent coupon to Casa Sanchez, considered by many to have the best

chips and salsa in San Francisco. The restaurant is willing to extend its limit to see more women and Latinos sporting a picture of little Jimmy, Sanchez said.

"That there aren't a lot of women I can understand, but Latinos? That's kind of weird seeing that we're a Mexican restaurant," Sanchez said. She devised the promotion and posted a sign of Jimmy that read "Tattoo me on yourself and get free lunch for life." Her brothers thought it was a stupid idea and kept taking the sign down. But Sanchez kept putting it back up. Soon, two nightclub employees showed up with Jimmy emblazoned on their bodes. From there, word spread fast. So far, Jimmy has made appearances on customers' arms, calves, legs, ribcages and buttocks.

To avoid running out of business, Sanchez said the restaurant is keeping careful track of the number of Jimmy

tattoos floating around. Customers must notify the restaurant before getting tattooed, and the tattoo must come from a parlor approved by Casa Sanchez.

The restaurant imposed those regulations after a local radio station said it would round up homeless people from throughout the city and pay to have them tattooed. The station apparently changed its mind after homeless folks wanting to take it up on the offer reported that the tattoo would cost about \$100, a cost that would pay for itself after more than a dozen lunches. (A Mexican beer and super burrito with cheese, guacamole and sour cream is \$6.25.)

"We didn't want hundreds of homeless people with Jimmy tattoos coming down here, so we had to do something," Sanchez said. "We want to have fun with this, and so far we are."