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Doug Creases Six. Actually, it's Ben Folds Five. Check it out before the number changes.

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Oh, money



money

copy editor JACQUELYN POSTON

Every day, Will Troutman has to wade through the myriad of credit-card applications he gets in the mail.

Walking to class, he's confronted by representatives from credit-card companies offering him a free T-shirt if he applies for a credit card.

Every year, Troutman signs documents that say he agrees to pay for the Stafford Loan he's been awarded for college.

Like Troutman, thousands of other USC students are largely dependent on credit cards and student loans to pay for tuition, housing, books and other expenses.

Often unaware of interest rates and payment arrangements, students carelessly sign documents agreeing to get credit cards or pay student loans.

### How 'bout them loans?

According to Financial Aid Officer Robert Patton, about 40 percent of USC students have student loans, the amounts for which are determined by

the federal government.

The government sets a limit on how much students can borrow, depending on their year in school. The interest rate on the loans is capped at 9 percent, but right now it's at about 8 percent, Patton said.

When students apply for the student loans, they can request the amount they think they'll need.

The financial aid office then takes into account the government limit, the student's request and several other factors, and then recommends to the bank how much the loan should be. The bank then issues the loan to the student.

Patton said students often take more money than they need, not realizing how much they'll have to pay back later.

"I can't help but suspect that some of them may not know what they're getting into. They may be so anxious to meet their need right now that they'll take any money they can get," Patton said.

According to Columbia bankruptcy attorney Robert King, of the King Law Firm, many students get enough money in student loans to cover tuition, lodging, meal plans and books.

King said they'd be better off taking a smaller student loan and getting a part-time job to cover everything but tuition so they won't have so much to pay back later.

"They live the good life for four years, but they pay the price for 20 [years]," King said.

Troutman, a junior psychology major, said he likes having enough money in student loans to cover tuition, as well as other expenses, because it gives him more time to study instead of having to work.

"While you're in school, you can concentrate on what you need to concentrate on. Financially, I have no worries," Troutman said.

However, some students can't budget their money and end up deep in debt.

### Bankruptcy

King said he sees about 15 students a year who are considering bankruptcy, about eight to 10 of whom actually file.

Most of the students he sees have about \$40,000 to \$50,000 in student loans, he said, and medical students have even more student-loan money to repay.

"With an interest rate of about 8.5 percent, which is pretty com-

mon, on a \$50,000 student loan, you'll pay about \$400 [a month] for the next 15 years," King said. "That's more than a car payment. That's quite a hit."

"Medical students sometimes go over \$100,000 in student loans. If you had \$100,000, you're paying back \$276,000 with interest."

Most students who file bankruptcy with King's firm, file a chapter seven bankruptcy.

A chapter seven is a liquidation-type bankruptcy that benefits people who have little to no assets and lots of credit-card debt.

This kind of bankruptcy will usually result in the elimination of all unsecured credit-card debt, but student loans can't be included in the bankruptcy.

"The only way a student loan will go away is if you've been making payments regularly for seven or eight years, then you file bankruptcy. Then it will be discharged," King said.

King said most people, students included, have no concept of debt, especially interest rates.

"I don't know why schools are so lax about educating people about debt because that's a part of your life. People need to know that. Where are students supposed to get that? I think the students are ill-equipped to understand debt," King said.

## Making cents of Money Matters

- If you need student loans, get the least amount possible, get a job to help pay expenses and avoid charging things on credit cards
- For student loans, only request the amount of money you think you'll need
- Be cautious about credit cards. Use them, but don't abuse them
- If you should fall into debt, try to avoid filing for bankruptcy — it could cause problems when you try to rent an apartment or get a job

### Ending chapter seven

King said he tries to discourage students from filing bankruptcy for many reasons.

Once you file bankruptcy, he said, it's hard to get credit or loans, and if you do, you pay about 35 percent interest.

And South Carolina has no usury laws, so you could be charged any amount of interest for a loan.

Also, most banks won't give you a checking account in that situation.

Car buying and apartment or home renting also becomes difficult because most of those places do credit checks now.

Some apartment complexes refuse to rent to those with bad credit, and others require four times the normal deposit amount before renting.

King said even employers do credit checks, which could affect students' abilities to get jobs if they have poor credit histories, since a chapter seven bankruptcy stays on one's credit record for 10 years.

"I think one of the most devastating things about filing for bankruptcy for a student is the blow to your self-esteem. It's really a last resort, or should be for college students. I try to find every other way around it," King said.

### Staying in the black

There's no real way for many students to avoid debt, King said.

If you have to have student loans, King recommends the following:

- Get the least amount possible.
- Get a job to pay for the rest of your expenses.

• Avoid using credit cards.

English junior Lori Vinings said she does just that.

She has student loans, but they're only a small amount, and she works to pay her rent and expenses.

She also has credit cards and said they're huge sources of spending temptation to many people she knows. "They attack you with [credit cards] on campus. I think people start using credit cards with good intentions, but they spend more than they can pay for. It's just too easy to get credit," Vinings said.

Troutman said that, although he's surrounded by ways he could get himself into debt, he's thankful to be largely debt free. But for many students, he said, there's no other way to avoid debt.

"For a student to avoid it," Troutman said, "they have to have a lot of support family-wise and have a pretty good part-time job. Otherwise, it would be pretty hard ... I think it's a real problem."

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