
Cow Loan

The loan made available to cadets during their Cow year is really (and more appropriately) called a "pre-commissioning loan". Over the last several years, this loan has been made available to the cadets by USAA (although it does go out to bid).

Some specifics:

- It is a signature loan.
- It is, as stated, really deemed a pre-commissioning loan (just ask the folks at USAA).
- It is intended to cover the cost of uniform purchase, getting oneself to one's duty stations (both BOLC and initial duty station) and to cover costs of setting up a household and making ends meet until the Army pay system catches up with the 2LT (which can take some time). This is the stated purpose when you ask the folks at USAA.
- If a cadet does not graduate and / or get commissioned, the loan is due and payable in full immediately.
- Cadets are not required to take the full amount of the loan, and in fact, those without stellar credit will not be offered the full amount of the loan.
- The loan is a separate financial agreement between the cadet and a financial institution. It has nothing to do with their service per se, except that it would not be offered were it not for the fact that they are cadets at West Point.

Some things to consider:

- This year, 2010-2011, the total amount available is \$35,000 at .5% interest. In other words, \$35,000 is the max. However, cadets have been counseled that they should look clearly at their "needs" v. "wants" and determine how much, if any, they should apply for.
- While payments do not begin until the cadet graduates, interest starts to accrue immediately.
- If the cadet takes the full \$35,000 loan, the monthly repayment will be close to \$600.00 - for five years. They have to carefully consider whether they will be able to make that payment on their 2LT salary.

Cadets have been briefed on the value of investing and of the dangers of using the money for such adventures as spring break. One only has to speak with ten young grads to hear horror stories from at least three of them, how they lament their foolishness with the money entrusted to them - and how they are getting the "hard knocks" story every money ... for five years.

With a proper financial plan, the money can be a wise investment, as the rate is so low. Some young grads actually took the money, invested it during that 16 months between receipt and graduation, and were able to pay it off in its entirety immediately. Others purchased cars and used that money rather than a car loan. Unfortunately, there are some young grads who "double dipped" encumbering themselves with both the signature loan and a car loan.

Your sons and daughters all attended a briefing ... and there is additional financial counseling available but it's also a nice thing for you to sit down and share your thoughts and experiences.