



STUDENT ADVOCATES FOR FINANCIAL EDUCATION

STUDENT LOAN INFO

Loans insured against default by the federal government are referred to as **Stafford Loans** and are privately funded by banks and credit unions. Students can qualify for a combination of loans that are offered, which may vary in amount and the eligibility based on a person's financial need and dependency status. To apply, fill out the Free Application for Federal Student Aid form (FAFSA) available at any local Financial Aid Office. The FAFSA form can also be filled out on-line at www.fafsa.ed.gov. Students and families should fill out their tax returns as early as possible to have the most up-to-date information available when filing for financial aid. Various Stafford Loan types and loan information are listed below.

STAFFORD LOAN TYPES

Subsidized Loans

- Eligibility based on financial need analyzed by college financial aid office.
- Maximum amount one can received based on dependency status.
- Repayment does not begin until 6-months after one graduates, leaves school, or drops below half-time status.
- Interest paid by federal government while person is in school at least half-time, is in a deferment period, and during the 6-month grace period after graduation.
- Has a variable interest rate that adjusts each July 1st with an interest rate cap of 8.25%.

Unsubsidized Loans

- Eligibility not based on financial need; loan is open to any qualified student.
- Interest begins to accrue as soon as the first disbursement is made.
- Has a variable interest rate that adjusts each July 1st with an interest rate cap of 8.25%.

PLUS Loans

- Loan for the parent of a full or part-time undergraduate student; loan actually belongs to the parent, not the student.
- Borrowing limit is the cost of attendance minus any aid the student will receive with no set limit as to how much the parent can borrow.
- Has a variable interest rate that adjusts each July 1st with an interest rate cap of 9%.

Perkins Loans

- Given directly by the school to students with the greatest need.
- Repayment begins 9-months after one graduates, leaves school, or drops below half-time status.
- Has loan limit of \$3000/year for undergraduates (maximum of \$15,000) and \$5000/year for graduates (maximum of \$30,000).
- Has a fixed interest rate with an interest rate cap of 5%.



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LOAN CONSOLIDATION

By consolidating students loans, students can decrease the possibility of forgetting to make a monthly payment to one of their lenders many by making a single monthly payment to one lender in charge of all the loans combined. The interest rate on consolidated loans is a fixed rate based on the weighted average of a person's current loans rounded up to the nearest 0.00125%; the maximum interest rate is 8.25%. Should the individual experience financial difficulty or some lifestyle change, there are various deferment options available where repayment on the loan can be postponed for a specific period of time. One must check with their lender for deferment details as they may vary from lender to lender. It is strongly advised that couples *do not* consolidate their loans together for the sake of easier future loan deferment if it becomes necessary.

SHOULD I CONSOLIDATE?

Advantages

- Fixed interest rate
- One monthly payment to one agency
- Possibility of having lower monthly payments
- Option of extended repayment term
- Rebates may be available to further lower the principal amount of the loan

Disadvantages

- Can only consolidate loans once; interest rate may be higher than future offers
- Having extended repayment term takes longer to pay back and may cost more in interest
- Borrowers that consolidate during grace period lose remaining term of grace period

MONTHLY STUDENT LOAN ESTIMATOR

*BORROW CAUTIOUSLY

		<i>Interest Rate at Repayment</i>						<i>*Max Stafford Loan Interest Rate</i>	<i>*Max Plus Loan Interest Rate</i>
		3.0%	4.0%	5.0%	6.0%	7.0%	8.0%	8.25%	9.0%
<i>Total Amount Borrowed</i>	\$5,000	\$50.00	\$50.62	\$53.03	\$55.51	\$58.05	\$60.66	\$61.33	\$63.34
	\$10,000	\$96.56	\$101.25	\$106.07	\$111.02	\$116.11	\$121.33	\$122.65	\$126.68
	\$15,000	\$144.84	\$151.87	\$159.10	\$166.53	\$174.16	\$181.99	\$183.98	\$190.01
	\$20,000	\$193.12	\$202.49	\$212.13	\$222.04	\$232.22	\$242.66	\$245.31	\$253.35
	\$25,000	\$241.40	\$253.11	\$265.16	\$277.55	\$290.27	\$303.32	\$306.63	\$316.69
	\$30,000	\$289.68	\$303.74	\$318.20	\$333.06	\$348.33	\$363.98	\$367.96	\$380.03
	\$35,000	\$337.96	\$254.46	\$371.23	\$388.57	\$406.38	\$424.65	\$429.28	\$443.37