



Student Loans

INFORMATION FOR STUDENTS AND FAMILIES

Loans for Students

- ▶ Colleges may offer the option of loans as part of the Financial Aid packet
- ▶ Students are not required to take out a loan
 - ▶ College will not provide additional funding to substitute for the amount of the loan
- ▶ The US Department of Education offers low-interest loans to eligible students to help cover the cost of college or career school
 - ▶ There are two types of federal student loans depending on demonstrated financial need
 - ▶ Loan distribution is paid directly to the university/college

Loans for Students

- ▶ Student Loans must be repaid, so student need to understand the options and responsibilities
- ▶ The interest rate on a federal student loan is fixed for the life of the loan
 - ▶ Usually lower than a private loan & credit card rates
- ▶ Student are not required to make payments until six months after they leave college, or if they drop below half-time enrollment
- ▶ For more information: <https://studentaid.gov/understand-aid/types/loans>

Direct Student Loans: Subsidized vs Unsubsidized

▶ **Subsidized**

- ▶ Available to undergraduates with demonstrated financial need
- ▶ The college determines how much students may borrow.
 - ▶ The amount cannot exceed your financial need.
 - ▶ The FAFSA Estimated Family Contribution number is used in this process of loan amounts, as well as the limit on federal subsidized loans
- ▶ The US Department of Education pays the interest on a Direct Subsidized Loan
 - ▶ Must be enrolled at least half-time
 - ▶ Grace period of 6 months after you leave school or during a deferment

Direct Student Loans: Subsidized vs Unsubsidized

▶ **Unsubsidized**

- ▶ Available to undergraduate and graduate students; no demonstrated financial need
- ▶ The college determines how much students may borrow based on the cost of attendance and financial aid the student receives.
 - ▶ There is a limit set by the federal government on how much a student can borrow.
- ▶ The student is responsible for paying the interest on a Direct Unsubsidized Loan during all periods, even while attending school
- ▶ Student can choose not to pay the interest while attending school, grace periods and deferment; the interest would accrue and be capitalized (added to the principal of the loan)

Loan Borrowing Amounts

- ▶ There is a limit on what students can borrow each year of college and if are qualified as a dependent student or as an independent student

1st year Undergraduate Loan Annual Limit

	Dependent Student	Independent Student
Subsidized Limit	\$3,500	\$3,500
Unsubsidized Limit	\$2,000	\$2,000
Total Loan Limit	\$5,500	\$5,500

Loan Borrowing Amounts

- ▶ There is a limit on what students can borrow each year of college and if are qualified as a dependent student or as an independent student

2nd year Undergraduate Loan Annual Limit

	Dependent Student	Independent Student
Subsidized Limit	\$4,500	\$4,500
Unsubsidized Limit	\$2,000	\$6,000
Total Loan Limit	\$6,500	\$10,500

Loan Borrowing Amounts

- ▶ There is a limit on what students can borrow each year of college and if are qualified as a dependent student or as an independent student

3rd year and beyond Undergraduate Annual Loan Limit

	Dependent Student	Independent Student
Subsidized Limit	\$5,500	\$5,500
Unsubsidized Limit	\$2,000	\$7,000
Total Loan Limit	\$7,500	\$12,500

Loans - Parent College Loans (Direct PLUS)

- ▶ Direct PLUS Loans are federal loans that parents of dependent undergraduate students can use to help pay for college or career school
- ▶ Loans are paid directly to the institution
- ▶ Fixed rate for the life of the loan
- ▶ Family/Parent choice whether to use loans or not. Not an obligation from the university or college.
- ▶ For more information:
 - ▶ <https://studentaid.gov/understand-aid/types/loans/plus/parent>

Private Student Loans

- ▶ For information on Private Student Loans, it is important to understand what is needed and how a private loan works from a neutral sources.
- ▶ Here is information on private student loans from two reliable reputable sources
 - ▶ Federal Student Aid
 - ▶ <https://studentaid.gov/understand-aid/types/loans/federal-vs-private>
 - ▶ Sallie Mae
 - ▶ <https://www.salliemae.com/college-planning/student-loans-and-borrowing/compare-federal-vs-private-loans/private-student-loans/>

Private Student Loans

- ▶ According to the website “Student Loan Hero” here are 7 key points regarding private student loans you should know before trying to obtain a private student loan.
 - ▶ Private Student Loans provide funding after maximizing out federal student loans
 - ▶ Private loans for students are harder to qualify for than federal student loans
 - ▶ Often students will need someone with established credit to be a co-signer on the loan
 - ▶ Interest rates and loan terms vary among private student loans
 - ▶ Federal loans are fixed rates and only vary year to year when the rate is set

Private Student Loans - continued

- ▶ According to the website “Student Loan Hero” here are 7 key points regarding private student loans you should know before trying to obtain a private student loan.
 - ▶ Private student loans offer less flexibility in repayment plans
 - ▶ Private college loans typically don't qualify for loan forgiveness plans
 - ▶ There are fewer options for financial hardship with private loans
 - ▶ Private college loans are difficult to discharge in bankruptcy

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WHAT YOU NEED TO KNOW

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