



Understanding Student Loans

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Presentation Highlights

- Borrow Smart
- Federal Student Loans
 - Federal Perkins Loan
 - Federal Direct Loan – Subsidized and Unsubsidized
 - Federal Direct PLUS Loan – Graduate Students and Parents
- Private Student Loans
- Consolidation and Refinance
 - Federal Direct Consolidation Loan
 - Student Loan Refinance (federal and private)

How Much Do You Really Need?

Consider:

- Fixed Costs
- Flexible Costs
- Appeals
- Other Income
- Tuition Payment Plans



Student Eligibility

- Must be a U.S. citizen or eligible noncitizen of the U.S. *with* a valid Social Security Number (SSN)
- Must have a high school diploma or a General Education Development (GED) certificate, complete homeschooling or pass an approved “ability to benefit” test
- Must enroll in an eligible program as a regular student seeking a degree or certificate
- Must be making satisfactory academic progress

Student Eligibility

- Males between the ages of 18 and 25 must register or already be registered with Selective Service
- Drug conviction while you were receiving federal student aid (still may be eligible)
- Not owe a refund on a federal grant or be in default on a federal education loan

www.studentaid.ed.gov

Student Status

Independent Student

- At least 24 years old
- Married on the day you applied for aid
- A graduate or professional student
- Active Duty or a Veteran of the Armed Forces
- Children or other dependents who receive more than half of their support from you
- At anytime since you turned 13 both of your parents were deceased, you were in foster care, or you were a ward of the court
- Emancipated minor
- Declared homeless by your high school or director of an emergency shelter

Dependent Student

- Does not meet any of the criteria listed for an independent student

Federal Perkins Loan

- Free Application for Federal Student Aid (FAFSA) required
- Available to undergraduate, graduate, and professional students with exceptional financial need
- Interest rate for this loan is 5% fixed
- Your school is the *lender*; you will make your payments to the school that made your loan or your school's loan servicer
- Funds depend on your financial need and the availability of funds at your college. Up to \$5,500 for undergraduate and up to \$8,000 for graduate
- Repayment begins nine months after student leaves school, drops below half-time status or graduates – 10-year repayment term
- ***No new Perkins loan after 9-30-17. Not all schools participate in the Federal Perkins Loan Program. You should check with your school's financial aid office to see if your school participates***

Federal Direct Loan

- Free Application for Federal Student Aid (FAFSA) required
- Subsidized: Awarded to eligible students based on financial need and Government pays interest while in school
- Unsubsidized: Awarded to all eligible students not based on financial need
- Available to undergraduate, graduate, and professional students – no credit check
- Interest rate for this loan – disbursed on or after July 1, 2016
 - Undergraduate 3.76% - Origination fee 1.068%
 - Graduate and Professional 5.31% - Origination fee 1.068%
- To apply: www.studentloans.gov

*formerly known as Stafford Subsidized and
Stafford Unsubsidized Loans*

Federal Direct Loan

- Annual Limits
 - Dependent Undergraduate Students
 - \$5,500 first year (\$3,500 may be subsidized)
 - \$6,500 second year (\$4,500 may be subsidized)
 - \$7,500 third and fourth years (\$5,500 may be subsidized)
 - Independent Undergraduate Students
 - \$9,500 first year (\$3,500 may be subsidized)
 - \$10,500 second year (\$4,500 may be subsidized)
 - \$12,500 third and fourth year (\$5,500 may be subsidized)
 - Graduate Students: \$20,500
 - Medical Students: \$40,500
- Repayment begins six months after student leaves school, drops below half-time status or graduates
 - 10-year repayment term
 - May consolidate after graduation

Note:
Entrance and
Exit
Counseling
Exams
Required

Federal Direct PLUS Loan

- Free Application for Federal Student Aid (FAFSA) required
- Available for parents of undergraduate students and graduate or professional students
- Interest Rate for this loan – disbursed on or after July 1, 2016
6.31% - Fee 4.272%
- To apply: www.studentloans.gov
- Annual Limits = Cost of Attendance (COA) – Financial Aid Received
- Student: Repayment begins six months after student leaves school, drops below half-time status or graduates
10-year repayment term
May consolidate after graduation
- Parents: Repayment begins 60 days after date of first disbursement (may request deferment)
10-year repayment term
May consolidate

Private Student Loans

- **FAFSA Recommended**
- Helps fill the gap after federal and lower-cost sources are exhausted
- Student's Loan and may require a co-signer
- Annual Limits = Cost of Attendance (COA) – Financial Aid Received
- Variable and fixed interest rates
- Fees – depends on lender
- Repayment begins six months after student leaves school, drops below half-time status or graduates
 - 15 - 25 year repayment term
 - May consolidate after graduation

Private Student Loans

What to Consider:

- **Rate**
 - Index – Prime or LIBOR (difference of about 3%)
 - Margin - % added to index
 - Floor – Never go below
- **Fees**
 - Origination Fee – 0% to 3%
- **Repayment Terms**
 - 15 to 25 years
- **Borrower Benefits**
 - What's in it for me? (W.I.F.M.)
- **Co-Borrower Options**
 - FICO, Debt to Income ratio
- **Payment Options**
 - Principal and interest
 - Interest only
 - Full deferment

Consolidation and Refinance

- **Federal Direct Loan Consolidation** – www.studentaid.ed.gov
 - Federal student loans
 - Terms up to 30 years
 - Fixed interest rate
 - No fees
- **Private Student Loan Consolidation**
 - Private student loans
 - Flexible repayment terms*
 - Fixed and variable interest rates*
 - May have fees*
- **Student Loan Refinance**
 - Private and federal student loans
 - Flexible repayment terms*
 - Fixed and variable interest rates*
 - May have fees*

**Set by individual lender*

Thank You for Attending

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Please contact us with any additional questions.

<http://www.studentchoice.org/college-access-counselor/>



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for students and parents

www.studentchoice.org/igrad