

Student Loan Basics: What You Need to Know

It All Begins With FAFSA. (In order to receive ANY federal loans, families need to fill out the FAFSA. Visit <https://studentaid.gov> to learn more.)

Types of Federal Loans

Direct Subsidized vs. Direct Unsubsidized

Subsidized	Unsubsidized
<ul style="list-style-type: none"> ● Offered to students based on demonstrated financial need ● Interest doesn't start accruing while students are in school (begins after student drops below half-time enrollment or graduates) ● Individual schools will let you know if you qualify, and if you do, how much you qualify for 	<ul style="list-style-type: none"> ● Not considered need-based and are open to most students who file the FAFSA ● Interest starts accruing when money is issued ● Dependent students whose parents are ineligible for a Direct PLUS Loan may be able to receive additional Direct Unsubsidized Loan funds

What Are The Rates, Fees, and Borrowing Limits?

- Always a fixed rate, with the expected rate of 5.50% (rate for loans first disbursed on or after 7/1/23)
- 1.057% Origination Fee (disbursement fee)
- Undergraduate students can borrow up to \$31,000 in federal student loans for their degree. The borrowing limit per year is based on the grade level in college. The limits below are based on dependent undergraduate borrowers:
 - \$5,500–Freshman
 - \$6,500–Sophomore
 - \$7,500–Junior and Senior

Parent PLUS Loan — Apply by submitting the FAFSA

Who Can and Cannot Receive a PLUS Loan?

- Can: Parents with undergraduate students who are enrolled at least half-time and have passed a credit check
- Cannot: Undergraduates

What Are The Rates, Fees, and Borrowing Limits?

- Always a fixed rate, with the expected rate of 8.05% (rate for loans first disbursed on or after 7/1/23)
- 4.228% Origination Fee (disbursement fee)
- The maximum you can receive for a PLUS Loan is the cost of attendance, set by the school, minus any other financial aid received

Types of Private Loans

These are offered by private lenders, such as banks, credit unions, online lenders, etc.

Private Student Loans

- In the student's name, cosigner usually required (parent or credit-worthy adult)
- Typically allows you to borrow up to the full cost of attendance
- Interest rates generally based on credit profile (better credit = lower interest rate)
- Cosigners should ask about the lender's cosigner release criteria
- Most private student loans do not have origination fees
- Have a conversation with your student about how interest rates and monthly payments work

Private Parent Loans

- In the parent's name, student is not responsible
- Allows you to borrow up to the full cost of attendance
- Most private parent loans don't have origination fees
- Interest rate will be based on your credit worthiness

Top 10 Things To Know About Student Loans

1. **If you need to borrow, start by maximizing your full federal loans in the student's name (Direct Loans).** Federal Student Loans have low fixed rates and more flexible repayment plans. They can also be taken out without a cosigner.
2. **Borrow only what you need and can reasonably afford to pay back.** Be sure to use a [student loan calculator](#) prior to applying for loans to see what your payments would be.
3. **Before freshman year begins, make a plan for the four-year cost of your education.** You may not be able to see the big picture when you're applying for loans year-to-year. Consider the total debt you'll be taking on over the course of your degree.
4. **Student loans can't be used to pay for everything.** Schools will process a private loan up to the total cost of attendance, minus any other financial aid. Non-educational expenses, such as entertainment, cannot be covered by loans.
5. **You'll owe more than you borrow.** That's because there can be loan disbursement fees and interest will accrue on the loans (except for the federal subsidized loan) while you're in school.
6. **Pay what you can while in school.** You can make payments on your loans while enrolled. Doing so can help prevent the interest from growing on your loan balance.
7. **Loan repayment doesn't begin immediately after college graduation.** Federal loans and most private loans have a six-month grace period. During the grace period, no payments are required.
8. **There are advantages to using automatic payments.** Many private lenders will offer an interest rate discount if you sign up for their auto-debit service.
9. **You can refinance student loans.** Be certain to check rates after you graduate.
10. **A longer loan repayment period means you'll be paying more.** Be aware: the longer it takes to repay your loan, the more interest you'll need to pay. Use a student loan calculator to see the difference in the total loan amount you are paying back based on the number of years in your repayment term.