Student Loan Options

Student loans can be a great option if you need help paying for your education. Keep reading to learn the differences between federal and private loans and how to graduate with less debt.

Federal Loans

Federal student loans are funded by the government, and offer relatively low interest rates and flexible repayment options. But make sure to only take out what you need. If you borrow the maximum you are eligible for, you may be giving up free money in the form of scholarships and grants that do not have to be repaid.

Taking out Federal Loans

The most common federal loan is the Stafford loan. Stafford loans offer fixed interest rates, meaning the interest rate stays the same from the time that you take out the loan until you pay it in full. There are two types of Stafford loans.

SUBSIDIZED

Subsidized Stafford

Interest accrues on your loan while you're in school or in a deferment, but the government pays (subsidizes) it for you. There is a time limit to the subsidy benefit. If you take out subsidized loans for over 150% of your published program length, you may lose your subsidy and become responsible for the interest that accrues on your loan at all times.

Unsubsidized Stafford

You're responsible for interest that accrues on unsubsidized loans, even when you're in school. You can choose to pay it while you're in school, or you can let it accrue and be capitalized, added to the principal balance of your loan.

UNSUBSIDIZED

Master Promissory Note (MPN)

Regardless of which type of Stafford loan you take out, you will need to sign a Master Promissory Note (MPN). When you sign the MPN, you're accepting the terms of the loan and agreeing to repay your loans according to these terms.

The MPN also goes over your rights and responsibilities as a borrower.

Rights

- Request a written statement of the loan.
- Prepay your loan without penalty.
- Request a deferment or forbearance.

Responsibilities

- Entrance and exit counseling.
- Notify your lender or servicer if there are changes to your:
  - Name
  - Contact information
  - Enrollment status
  - Ability to repay
- Repay your loans even if you didn't complete the program, are unhappy with your education, or are unable to find a job.

GREAT LAKES

Grace Period
After you leave school or drop below half-time enrollment, you enter your grace period, a six-month period of time before you are required to make payments on your student loans. Even though it's not required, making payments during this time can reduce the amount of interest that is capitalized or prevent interest from capitalizing.

Repayment
Federal loans have a variety of repayment plans, ranging from 10 years to 30 years, and some plans offer flexible repayment terms that look at your income and family size to determine your monthly payment. Federal loans are unique because they offer more options for postponing payments than other loans do, including deferment and forbearance.

Private Loans

Even after scholarships, grants, and federal loans, you may need additional help paying for your education. Private loans are another option available to you, they're issued by a bank or a school. Usually, private loans have higher interest rates and less flexible repayment options than federal loans. It's in your best interest to exhaust all scholarships, grants, and federal loan options available to you before taking out a private loan.

Taking out Private Loans
Most private loan lenders perform a credit check before deciding to approve your loan application. A good credit score means you're more likely to be approved for the student loan, and at a lower interest rate. On the other hand, if you have a low credit score, the lender may require that you have a cosigner. If you have a cosigner and don't make payments on your loan, your cosigner is required to do so.

Accepting Private Loans
If you're offered a private loan, you have 30 days from the date that your application is approved to accept or reject the offer. Before accepting a private loan, make sure you understand the fees, interest rate, and repayment terms. These things vary greatly by lender, so make sure to read the agreement carefully for any private loan you consider.

Fees
Some lenders charge fees either when the loan is disbursed or when you enter repayment. Oftentimes fees are added to the total amount you owe.

Interest Rate
Interest rates on private loans can be fixed (like federal loans) or variable. Variable interest rates change over time, which means that your payments could be adjusted each year based on changes in the variable rate on the loan. You are responsible for all interest that accrues on your private loan.

Repayment
Make sure you know what's expected of you when you enter repayment. When do you start making payments? Some private loans may require you to make payments while you're still in school. How long do you have to pay it back?

Remember, you're responsible for repaying all of your loans—federal or private—whether you graduate or not.

GREAT LAKES

Tips for Graduating with Less Debt

If you've determined that you need student loans to pay for school, there are things you can do to keep your student debt under control.

Know what you already owe

- If you've already borrowed student loans, make sure to keep track of how much you owe. Contact your student loan servicer to review your account summary and estimate your monthly payments.
- Visit the National Student Loan Data System (nslds.ed.gov) to track the total amount you owe for all of your federal student loans.
- Find information about all of your loans, federal and private, on your credit report (annualcreditreport.com).

Apply for scholarships

- Scholarships are free money that directly reduce your need for student loans. Check with your financial aid office for more tips on where to find scholarships.

Consider summer job, cooperative (co-op), or internship opportunities

- If you work full-time during your break from classes, you can use that money towards education expenses, and avoid taking out too many student loans.
- Many co-ops and internships let you earn money to pay your way through college, while also giving you experience and skills that can help you find a job in the future. You can search for these opportunities online, or talk to your advisor at school for more resources.

Pay interest on your loans while in school

- Interest accrues on some types of federal loans while you're still in school. Paying your student loan interest as it accrues will prevent it from being added to your total balance at repayment (capitalization).

Compare future payments to future income

- Make sure you'll be able to afford your monthly payment after graduation. Estimate your monthly payments online, and compare that amount to the average salary for your field. Visit the Bureau of Labor Statistics (bls.gov) for salary information.

Live like a student

- If you live like a student now, you won't have to live like a student when you graduate. To keep your expenses down, try developing a budget, eating most of your meals at home, getting a roommate, or buying only the things you need.

Graduate on time

- Staying in school longer means paying more in tuition, and could result in more loans. Try to focus on your studies so you don't delay graduation. Whatever path you choose, do graduate! Full-time workers with bachelor's degrees earn much more than workers without a degree.