

STUDENT LOANS



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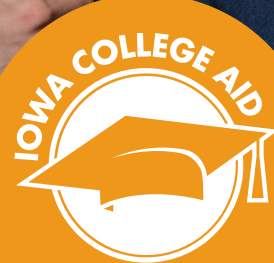
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REV 07/17



SHOULD I TAKE OUT A STUDENT LOAN?

After you exhaust other aid and employment opportunities, student loans can be a good option to cover educational expenses. When borrowing, remember that unlike grants or scholarships, which do not need to be repaid, student loans must be repaid with interest.

This brochure covers several federal and private education loan options. Federal loans are usually less expensive, have more repayment options, offer deferment and forbearance options to postpone payments and have loan forgiveness opportunities not available for private loans. Private loans are best used as a last resort to finance any expenses that remain after family resources, scholarships, grants, institutional aid, student employment and federal loans have been exhausted.

HOW MUCH TO BORROW?

Don't borrow more than you need! Consider what portion of your future paychecks will go toward repaying loans. Repayment begins shortly after you graduate, withdraw from school or drop below half-time enrollment.



I don't need to worry about my student loans while I'm in school.

MYTH:

You need to think ahead. Don't blindly take out student loans without considering your major or future career—or without finding ways to minimize your debt while in school.

TRUTH:

MYTH:

I should borrow as much as I can.



You should borrow the minimum you need. Loans are a helpful way to get an education that might seem out of reach, but be informed before you borrow. Your future self will thank you!

TRUTH:



MYTH:

I have to pay back 100 percent of my student loans.

Maybe not. Depending on the type of loan and your profession, forgiveness programs can help you pay back a portion or all of your student loans.

TRUTH:

MYTH:

I need to pay someone to help me with my student loans.



TRUTH:

You should never have to pay someone to help you with your student loans. Contact the financial aid office at your college for assistance.

KNOW YOUR LOANS: FEDERAL VS. PRIVATE

FEDERAL LOANS

Federal loans provide the opportunity to borrow money to help pay for college through programs supported by the U.S. government. Federal student loan options differ depending on whether you are an undergraduate or graduate student.

Undergraduate student loan options:

- **Subsidized Stafford Loans** are restricted to borrowers with demonstrated financial need. Eligibility is determined by the Free Application for Federal Student Aid (FAFSA). If a loan is awarded, the federal government pays the interest while the student is in school. Borrowers must also complete a Master Promissory Note (MPN) and an Entrance Counseling.
- **Unsubsidized Stafford Loans** are not awarded based on financial need, and students are responsible for paying the interest charged throughout the life of the loan. Students must complete a FAFSA, MPN and Entrance Counseling.
- **Direct PLUS Loans** are available to parents of dependent undergraduate students and are subject to credit checks. If a parent borrower is denied, the student is eligible for additional Direct Unsubsidized Loan amounts. Parents must complete an application and an MPN.



All federal loans require that you be enrolled in school at least half-time.

Graduate student loan options:

- **Direct PLUS Loans** are available to graduate students and are subject to credit checks. Borrowers must complete an application and an MPN.

For more information, including eligibility, interest rates and loan fees, go to studentaid.ed.gov

PRIVATE LOANS

Private education loans are nonfederal loans offered by many major banking institutions, credit unions and education loan providers. The loans are not federally insured and might be more costly than federal loans.

If you are interested in a private education loan, start by contacting the financial aid office at your school for assistance. You should carefully evaluate the terms and conditions of private education loans before applying.

Concerns about a private student loan can be addressed by the Consumer Financial Protection Bureau's private student loan ombudsman: **consumerfinance.gov**
855-411-2372



KEY TERMS

PRINCIPAL

The total amount of money you borrow plus any interest that has been capitalized.

INTEREST

Money you pay to a lender for the use of borrowed funds. The expense is calculated as a percentage of the unpaid principal amount of the loan. The interest rate on federal loans is fixed.

COMPOUND INTEREST

Interest added to the principal of a loan so that the added interest also accrues interest from then on. This addition of interest to the principal is called compounding.

ACCRUED INTEREST

The interest that has accumulated on a loan since your last interest payment up to, but not including, the settlement date.

FEES

A percentage of your total loan amount that is deducted proportionately from the loan. This means the money you receive will be less than the amount you borrowed.

LOAN LIMITS

The maximum amount that you are eligible to borrow. There are loan limits on yearly amounts based on your grade level as well as limits on the total aggregate amount that you are eligible to borrow in a lifetime.

IN-SCHOOL DEFERMENT

A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue on federal subsidized loans.

GRACE PERIOD

A period of time after you graduate, leave school or drop below half-time enrollment when you are not required to make payments on certain federal student loans. During the grace period, some federal student loans will accrue interest that, if unpaid, will be added to the principal balance of your loan when the repayment period begins.

MASTER PROMISSORY NOTE (MPN)

The binding legal document you must sign when you receive a federal student loan. It lists the terms and conditions under which you agree to repay the loan and explains your rights and responsibilities.

LOAN REPAYMENT

For most federal student loans, repayment begins after the grace period. For the Direct PLUS loan for parents, repayment begins after the loan is fully disbursed unless the parent borrower requests postponement of repayment.

LOAN FORGIVENESS

Federal and state loan repayment, forgiveness and cancellation programs are available for borrowers who work in professional shortage areas.

FINANCIAL AID PACKAGE

The total amount of financial aid you are offered by a school. Your financial aid package might include federal, state and college-specific financial aid programs as well as one or more types of loans.

For detailed information on loan forgiveness qualifications, visit **IowaCollegeAid.gov**.



Don't know who your loan servicer is? Look it up on the National Student Loan Data System (nslds.ed.gov).