

## BE SMART ABOUT BORROWING

- **Exhaust other options.** The best ways to pay for college are money that's given to you (grants and scholarships) and money that you earn (work-study). Consider loans only if those options don't cover your college costs.
- **Borrow only what you need.** Your award package will probably include a loan amount. Treat that number as a limit, and do your best to stay below it. Living frugally as a college student will let you live more comfortably after you graduate and your loans come due.
- **Apply for federal loans first.** They're usually less expensive than private loans and offer more repayment plans. You're also more likely to have forbearance and forgiveness opportunities. Private loans should be your last option.
- **Pay more than the minimum.** When your loans come due, pay at least a little over the minimum each month. You'll save on interest and wipe out your debt sooner.
- **Don't skip payments.** If you face difficulty making a payment, contact your loan servicer immediately to ask about hardship options. Missed payments will damage your credit rating.
- **Stay in touch with your loan servicer.** Keep all your paperwork, and notify your servicer if you move.

## ▶ NOT SURE WHO YOUR LOAN SERVICER IS?

If you owe on student loans but you don't know who your loan servicer is, try the National Student Loan Data System, the Department of Education database that keeps track of federal student aid information. Go to [nslds.ed.gov](https://nslds.ed.gov).

## BORROW WISELY

# STUDENT LOANS

## ▶ IOWA COLLEGE AID

 [iowaCollegeAid.gov](https://iowaCollegeAid.gov)

 877-272-4456

 [facebook.com/iowacollegeaid](https://facebook.com/iowacollegeaid)

 [twitter.com/IACollegeAid](https://twitter.com/IACollegeAid)

 [instagram.com/iacollegeaid](https://instagram.com/iacollegeaid)

## TYPES OF LOANS

### FEDERAL LOANS

To qualify for federal loans, you must file the Free Application for Federal Student Aid (FAFSA) at [fafsa.gov](https://fafsa.gov). For more information, go to [studentaid.ed.gov](https://studentaid.ed.gov).

#### UNDERGRADUATE OPTIONS:

- **Subsidized Stafford Loans** are for borrowers with financial need, determined by FAFSA. The government pays interest as long as you are in school. Loans come due six months after you leave school or drop below half-time.
- **Unsubsidized Stafford Loans** are not based on financial need, and you are responsible for all interest charged throughout the life of the loan. Loans come due six months after you leave school or drop below half-time.
- **Direct PLUS Loans** are available to parents of dependent undergraduates. Repayment begins immediately, although your parent can request postponement as long as you are in school at least half-time. If your parent is denied, you might qualify for additional unsubsidized loan amounts.

#### GRADUATE STUDENT OPTIONS:

- Direct PLUS Loans are available to graduate students. Repayment begins immediately, although you can request postponement as long as you are in school at least half-time.

### PRIVATE LOANS

Loans offered by banks, credit unions and other providers are not federally insured and might be more costly than federal loans. Carefully evaluate the terms and conditions of private loans before you apply. If you have concerns about a private loan, contact the Consumer Financial Protection Bureau's private student loan ombudsman: [consumerfinance.gov](https://consumerfinance.gov) or 855-411-2372.

## REPAYMENT PLANS

If you take out federal student loans, you'll have multiple options for repayment plans.

One consideration is the rate of repayment:

- A **fixed plan** means your monthly payments will stay the same until your loan is paid off.
- A **graduated plan** means your monthly payments will increase at specified times, usually every two years.
- An **income-based plan** means your monthly payment will be a percentage of your income.

Another factor is the time frame. Repayment usually takes between 10 and 25 years (30 for Federal Consolidation loans).

There is no one best repayment plan. You'll need to think about your current financial picture and reasonable expectations for your future. For instance, a graduated payment plan makes sense if you can count on your income rising steadily during repayment. A shorter repayment plan will cost more each month for now but will save you money in the long term.

Go to [studentaid.ed.gov](https://studentaid.ed.gov) to review your eligibility and run a monthly payment calculator.

## PAY FASTER & PAY LESS!

Student loan repayment isn't like other bills—you can pay ahead on loans and save money.

When you get your cell phone bill or your electricity bill, you pay the amount owed for that month. If you pay more, you'll get a credit on your next bill, but the total you pay over time will be the same.

When you're paying off a loan, however, you can cut the total cost by making more than the minimum monthly payment. That's because interest continues to accrue as you're paying off the loan. The faster you pay it off, the less interest will accrue.

Here's how big a difference you can make: The average student loan borrower in Iowa would shave a full year off a 10-year federal loan by paying \$27 extra a month. There's no penalty for paying off federal student loans early.

