


BORROWING TIPS

- Pay faster and pay less. Student loans aren't like other bills—if you pay ahead, you actually save money. That's because interest continues to accrue as you pay off the loan. The faster you pay, the less interest will accrue. There's no penalty for paying off federal loans early.
- Borrow only what you need. If your award package includes a loan amount, treat that number as a limit and try to stay below it.
- Exhaust all 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.
- 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 forgiveness opportunities. Private loans should be your last option.
- 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.



BORROW & REPAY WISELY

STUDENT LOANS



STAY IN TOUCH WITH YOUR LOAN SERVICER

Create an online account to manage your loans easily. Keep all your paperwork, and notify your servicer if you move.

 IowaCollegeAid.gov

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TYPES OF LOANS

FEDERAL LOANS

To qualify, you must file the Free Application for Federal Student Aid (FAFSA) at fafsa.ed.gov.

Undergraduate options:

- Subsidized Stafford Loans are for borrowers with financial need, determined by the FAFSA. The government pays interest as long as you are in school. Payments start 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. Payments start six months after you leave school or drop below half-time.
- Direct PLUS Loans are available to parents of dependent undergraduates. If your parent is denied, you might qualify for additional unsubsidized loan amounts. Repayment begins immediately, although your parent can request postponement as long as you are in school.

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.
- Unsubsidized Stafford Loans (see above).

More information on federal loans:
studentaid.ed.gov/loans

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 before you apply. If you have concerns about a private loan, contact the Consumer Financial Protection Bureau: 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 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).

WHICH ONE IS RIGHT?

There is no one best repayment plan. The fixed plan is the default for federal loan repayment, but don't take that as a recommendation. It's simply an automatic pre-selection that doesn't take your situation into account.

A graduated payment plan makes sense if you can count on your income rising steadily during your repayment period. An income-based plan might be best if you don't plan to enter a high-paying job. It also provides some buffer if you don't land a job right away, and your loan might be forgiven after a specified time. A shorter repayment plan will cost more each month for now but will save you money in the long term.



FEDERAL STUDENT LOAN PROCESS

Before you start college:

- Your school includes a loan or loans in your award package.
- You apply for the loan(s).
- Loan funds are sent to your school. If your bill is already paid, remaining funds can be given to you for living expenses.

While you're in college:*

- You don't have to make payments.
- For subsidized loans, you don't owe any interest for the time you're in college.*

After you graduate or leave college:*

- You're in a grace period for six months.
- You choose a plan and begin repayments.
- The typical repayment period is 10 years.

*"In college" means you're enrolled at least half-time.

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: nslds.ed.gov.

