



## DON'T BE SCARED— JUST BE SMART!

The words “loan” and “debt” might sound scary, but student loans can be very helpful in funding your education. The key is to be a smart borrower.

**Borrow only what you need.** If you can cut expenses while you're in college, you'll have less debt as you start your career.

**Use up all other options.** The best ways to pay for college are free money (grants and scholarships) and money you earn (work-study and other jobs). Consider loans only if those options don't cover your costs.

**Apply for federal loans first.** They're usually less expensive than private loans and offer more repayment and forgiveness opportunities.

**Pay faster and pay less.** Student loans aren't like other bills—if you pay ahead, you save money. That's because interest continues to accrue as you pay off the loan. The faster you pay, the less interest will accrue.

## FAQs

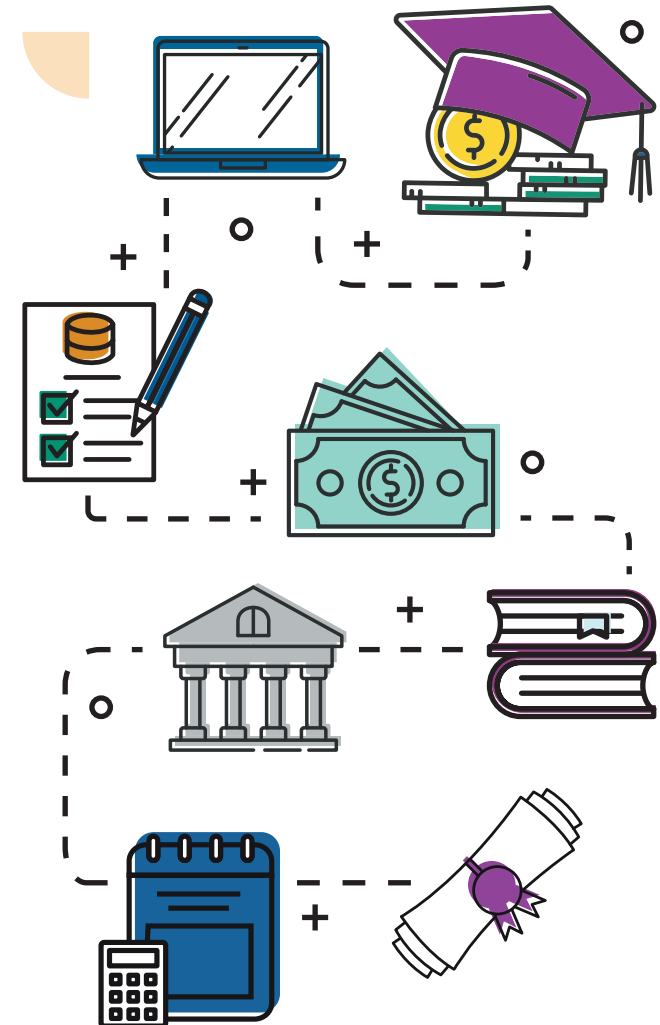
**Do I have to take all the loan money I'm offered?** No. In fact, try not to. If your financial aid includes a loan amount, treat that number as a limit and try to stay below it.

**Can I borrow some now and some later?** Yes. You won't cut yourself off if you borrow only part of your loan amount now. Let's say you decide to borrow half. If you hit a financial crunch before your school year ends, you can go back and borrow some or all of the remaining amount.

**What if I run into trouble paying off my loans?** Don't skip payments! You'll damage your credit rating and limit your chances for loan forgiveness or cancellation. Contact your loan servicer immediately to ask about hardship options. You might be eligible for deferment, discharge, or forgiveness of your federal loans.

**How do I find out who my loan servicer is?** Look it up at Federal Student Aid, StudentAid.gov.

# Student Loans BORROW WISELY



 [IowaCollegeAid.gov](http://IowaCollegeAid.gov)

 [Facebook.com/IowaCollegeAid](https://Facebook.com/IowaCollegeAid)

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

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

# BORROW

## TYPES OF LOANS

**Federal student loans**—To qualify, you must file the Free Application for Federal Student Aid (FAFSA) at [FAFSA.ed.gov](https://fafsa.ed.gov). These options are available to undergraduates and their families:

- Direct Subsidized 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.
- Direct Unsubsidized 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.

These options are available to graduate students:

- Direct PLUS Loans. Repayment begins immediately, although you can request postponement as long as you are in school at least half-time.
- Direct Unsubsidized Loans (see above).

More information: [StudentAid.ed.gov/loans](https://StudentAid.ed.gov/loans)

**Private student 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](https://ConsumerFinance.gov) or 855-411-2372.

## FEDERAL LOAN PROCESS

### Before you start college

- Your school includes a loan or loans in your financial aid offer.
- 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, which means you're not required to make payments.
- At the end of the grace period, you choose a repayment plan and begin monthly payments.
- Depending on the plan you choose, repayment usually takes between 10 and 25 years (30 for federal Direct Consolidation Loans).

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



# REPAY

## TYPES OF PLANS

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

**Fixed plan**—Your monthly payments will stay the same until your loan is paid off.

**Graduated plan**—Your monthly payments will gradually increase over time, usually every two years.

**Income-based plan**—Your monthly payment will be a percentage of your income.

## 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 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.