



*Improving the long term financial security of all women through education and advocacy.*



## Know Before You Owe! Important Information about Student Loans

When deciding which college to attend, cost will undoubtedly be a big factor. Taking on any kind of debt—including student loan debt—has a lasting impact on your life and may hold you back from future financial stability. In contrast, an education has a lasting positive impact on your life and leads to a higher lifetime income. Taking on some debt may be a necessary part of investing in an education, but figuring out how much is worthwhile, and what type of loans to take on, can be a tricky balance.

When taking out college loans, it is important to consider what your monthly payments will be when you graduate, and whether your chosen career path is likely to earn enough to cover those while living comfortably. The goal is to make sure that your student loans don't become a lifelong burden that prevent you from saving for things like a home or retirement.

Online loan calculators can help you make smart decisions about your loans. The calculator from *FinAid.org* ([www.finaid.org/calculators/loanpayments.phtml](http://www.finaid.org/calculators/loanpayments.phtml)) will estimate the size of your monthly loan payments and the annual salary needed to manage them without difficulty. This calculator from *bankrate.com* will help you calculate how long it will take to pay off a student loan based on estimated salary and other variables: [www.bankrate.com/finance/student-loans/how-long-to-pay-off-student-loan.aspx](http://www.bankrate.com/finance/student-loans/how-long-to-pay-off-student-loan.aspx)

Taking out too many loans that you cannot afford can have a lasting impact on your financial stability throughout your career and into retirement. Your credit rating could also go down if you do not manage the loans responsibly and are late on payments. A poor credit rating can make it harder to afford a home or find future loans with favorable interest rates and conditions.

## Types of College Loans

By filling out the Free Application for Federal Student Aid (FAFSA), you can find out if you qualify for federal loans and potentially need-based scholarships from the school you choose to attend. Visit [www.fafsa.gov](http://www.fafsa.gov).

Before taking out any loans to pay for college, it is important to understand the different types that are available.

Find out more at: [www.wiserwomen.org](http://www.wiserwomen.org)



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## Federal Direct Loans

A Federal Direct Loan (sometimes referred to as a Stafford loan) is a type of loan that may be offered as a part of a financial aid package after you fill out the FAFSA. It is a loan from the federal government, and comes subsidized or unsubsidized. Loan limits vary depending on what year you are in school and whether you are financially dependent on your parents.

### **Subsidized**

A subsidized loan is provided by the federal government based on your family's financial need. You will not need to make payments until after you graduate, and the government will pay interest on the loans while you're still in school. Undergraduate subsidized loans first disbursed on or after July 1, 2023 (and before July 1, 2024), have a fixed interest rate of 5.50%.

### **Unsubsidized**

Unsubsidized loans are different from subsidized ones because you have to pay off all the interest, including interest that accrues while you are in school. The interest rate is the same, but it will accrue until you graduate and continue while you are making payments. All students, regardless of family income, can receive unsubsidized loans. Undergraduate unsubsidized loans first disbursed on or after July 1, 2023 (and before July 1, 2024), have a fixed interest rate of 5.50%; For graduate and professional borrowers it is a fixed interest rate of 7.05%.

## Perkins

Perkins loan are another type of loan that may be offered as a part of a financial aid package after you fill out the FAFSA. All Perkins loans are subsidized and are reserved for students with exceptional financial need. The government will pay the 5% interest that accrues while you are in school and for a short period after you graduate. Your school is technically the lender, and the federal government disburses money to your school for it to lend out as it sees fit.

## PLUS

A PLUS Loans is a loan from the federal government that is available to cover any additional costs of school that are not covered by other federal loans. They are only available to graduate students and parents of financially dependent undergraduate students. PLUS loans first disbursed on or after July 1, 2023 (and before July 1, 2024), have a fixed interest rate of 8.05%.

## Private

Private college loans are similar to other types of private loans and generally have higher interest rates than federal loans. It is usually best to use all of the loans offered by the federal government as part of your financial aid package before taking out private loans. When taking out a private loan, consider factors like interest rates, repayment benefits and flexibility, all of which vary depending on the lender.

## Loans Forgiveness Programs

The federal government may reduce or forgive your loans if you work in certain fields. For example The Teacher Loan Forgiveness Program hopes to encourage young graduates to serve their communities by becoming teachers. Teachers who have been working full-time at a low-income school for five years may be eligible to have up to \$17,500 in loans forgiven. Similarly, the Public Service Loan Forgiveness Program encourages graduates to enter the public service sector. If you work for the government or a not-for-profit organization all of your Direct Loans may be forgiven after you have made 120 monthly payments while working full-time. To find out if you would qualify for a loan forgiveness program, visit <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation>. Take into account the possibility of loan forgiveness when considering how much loans to take on and which career to enter.

## College Loan Repayment

The same rules apply to college loans as other types of loans and bills. Make sure to pay your bills on time. Consider setting up auto-payment (paying electronically might also reduce your interest rate by fraction of a percent, which sounds small but it can really add up over the lifetime of the loan). If you are having trouble making payments, contact your lender and see if you can work out a different payment schedule. Also worth noting: you can deduct up to \$2,500 in student loan interest payments on your tax returns.

For more information on college loans, the U.S. Department of Education's website is a great place to start: <https://studentaid.gov/>.