

# WHAT TO KNOW BEFORE YOU BORROW

## Plan Ahead

Keep track of how much you're borrowing. Think about how the amount of your loans will affect your future finances, and how much you can afford to repay. Your student loan payments should be only a small percentage of your salary after you graduate, so it's important not to borrow more than you need for your school-related expenses.

## What types of loans are available?

- **Direct Subsidized Loans:** Eligible to students who demonstrate financial need. Interest starts once the student is out of college
- **Direct Unsubsidized Loans:** Not based on financial need and interest accumulates while in school.
- **Direct PLUS Loans:** Loans made to graduate or professional students and parents of dependent undergraduate students to help pay for education expenses not covered by other financial aid. Eligibility is not based on financial need, but a credit check is required. Borrowers who have an adverse credit history must meet additional requirements to qualify.
- **Direct Consolidation Loans:** Allow you to combine all of your eligible federal student loans into a single loan with a single loan servicer.

## How much money can I borrow in federal student loans?

- **Undergraduate students:** \$5,500 to \$12,500 per year depending on what year you are in school and your dependency status.
- **Graduate or professional students:** Up to \$20,500 each year in Direct Unsubsidized Loans. Direct PLUS Loans can also be used for the remainder of your college costs, as determined by your school, not covered by other financial aid.

# CURRENT FEDERAL STUDENT LOAN BORROWERS

## **Stay current and pay on time.**

If you're struggling to pay your student loans, don't avoid the issue. Late payments can do damage to your credit and lead to default. This will make repayment options more limited. Visit [studentaid.gov](http://studentaid.gov) and use their repayment estimator to learn about different repayment plans and how they could help your situation, and then go over your options with your lender.

## **Know your options for paying off student loans.**

Many loans come with a grace period, meaning that you don't have to start making payments as soon as you finish school. You may be able to defer payments based on financial circumstances or qualify for loan forgiveness if you take a public service job. You can also consider consolidating multiple loans into one manageable payment. The shorter your repayment period, the less interest will be paid.

## **Forbearance and deferment**

Temporarily stops or lowers monthly loan payments in times of need. Forbearance allows you to either stop making loan payments or have them reduced for a certain amount of time (interest will likely still accrue). Deferment allows you to stop making payments on both principal and interest for a number of specific reasons. Check with your lender to see if these options are available to you, and what the circumstances must be to qualify.

## **Public Service Loan Forgiveness**

You must make 120 qualifying payments on qualifying Federal Direct Loans while working full-time at an eligible job (non-profit, govt., etc.).