

TAKING OUT A ***STUDENT LOAN***



Should I Take Out a Student Loan?

Determining whether you need to take out a student loan is a very important decision. A student loan can help you pay for required educational expenses. Students should not take out a student loan without careful consideration.

Before accepting a student loan, remember the following:

- » The amount you borrowed for the student loan plus any interest that has accumulated must be repaid.
- » Loan repayments begin after your grace period ends.
- » The amount owed must be repaid regardless of whether you graduate.
- » The Federal Government will collect the money owed to them and they have the authority to garnish wages and collect tax refunds.
- » Student loans are rarely discharged in bankruptcy.
- » Late payments will damage your credit score.
- » Federal loans are usually preferable to alternative loans.



Before taking out a student loan

- ☒ Establish a budget to determine amount of loan needed.
- ☒ Keep student loan amounts as low as possible.
- ☒ Keep track of the amount borrowed; NSLDS.ed.gov tracks federal loans.
- ☒ Have an idea of how much you will be earning after graduation (salary.com).
- ☒ Estimate the amount of future monthly payments at studentaid.ed.gov, click on "Repay Your Loans" and use the Repayment Estimator.
- ☒ Borrow money for needs not wants.
- ☒ Contact **Money Management** if you have questions.



Student Loan Terms

Borrower - Person borrowing the money; signs promissory note agreeing to repay principal and interest.

Grace Period - Period of time after graduation, leaving school or dropping below half-time attendance that no loan payments are required.

Interest - Money owed in addition to the principal for use of the money.

Interest Rate - The percentage rate of the principal charged each year to the borrower.

Lender - Provides funds for loan.

Principal - The amount of money you borrowed plus any interest that has been capitalized.

Servicer - Collects loan payments for the lender.

Subsidized Loan - No interest charged to the student while enrolled at least half time.

Unsubsidized Loan - Interest is charged while student is in school. Students can choose to pay interest on unsubsidized loan while in school.

Types of Loans

Federal Loans*

- » Direct Subsidized
- » Direct Unsubsidized
- » Direct Grad PLUS
(for graduate students only)
- » Direct PLUS
(parent responsible for repayment)

Alternative Loans

- » The state of Texas and some banks offer alternative loan options.
- » It is best to exhaust other options first
- » May require co-signer
- » Many have variable interest rates
- » Virtually all are unsubsidized
- » Fewer repayment options

*Advantages of Federal Loans

- » No credit checks
- » Better interest rates than credit cards
- » Helps establish credit history

Standard 10-year Repayment at a 6.8% Interest rate

Loan Amount	Monthly Payment	Total Interest Paid	Cumulative Amt Repaid
\$10,000	\$115.08	\$3,809.66	\$13,809.66
\$30,000	\$345.24	\$11,428.97	\$41,428.97
\$50,000	\$575.40	\$19,048.28	\$69,048.28