

## WHAT TO BORROW

Don't borrow more than you need! Consider how much of your future paycheck will be needed to repay your loans. Repayment begins shortly after you graduate, withdraw or your enrollment drops below half time.

# STUDENT LOANS

A GUIDE FOR STUDENTS AND PARENTS

### 10-year Repayment Schedule

Total Loan Balance	Interest Rate			
	4.5%	5.6%	6.8%	8.5%
\$1,000*	\$50	\$50	\$50	\$50
\$2,500*	\$50	\$50	\$50	\$50
\$3,500*	\$50	\$50	\$50	\$50
\$4,500*	\$50	\$50	\$52	\$56
\$5,500	\$57	\$60	\$64	\$69
\$10,000	\$103	\$110	\$115	\$124
\$15,000	\$155	\$164	\$173	\$186
\$20,000	\$207	\$218	\$230	\$248
\$30,000	\$311	\$327	\$346	\$372
\$40,000	\$415	\$436	\$461	\$496

\* Loan payments cannot total less than \$600 per year (\$50 per month). Check payment amounts for different balances and interest rates with the online calculator on our website at [www.iowaCollegeAid.gov](http://www.iowaCollegeAid.gov)



**IowaCollegeAid.gov**  
Your Financial Aid Connection

#### Our Mission

We advocate for, and provide a continuum of services to support, Iowa students and families as they explore and finance educational opportunities beyond high school.



## Should I borrow a student loan?

If you still need money to cover educational expenses after you have exhausted other aid and employment opportunities, student loans can be a good option. Just remember, student loan money is for financing your education, not your lifestyle. Student loans are real money that must be repaid with interest, so borrow only what you need.

## What type of loan is best for me?

There are many different education loans, both federal and private, that are described in this brochure. When deciding which loan options are best for you, keep in mind that federal loans are usually less expensive, have more deferment and forbearance options available to postpone payments and have loan forgiveness opportunities not available through private loan programs. Private loan programs are best used as a last resort to help finance any gap that is remaining after family resources, scholarships, grants, institutional aid, student employment and federal loans have been exhausted.

Paying for college is a family responsibility that often requires sacrifices by both students and their parents. Students whose parents take responsibility for financing a portion of their education are better prepared for loan repayment upon graduation. Many experts recommend that student loan payments not exceed 8% of income. Students who borrow \$26,000, the average student loan debt for graduates from a four-year Iowa college or university, would need to earn at least \$44,850 to stay within this recommendation. Parents can help their students from being overwhelmed with too much debt by borrowing the Federal PLUS Loan.



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## Learn About Responsible Loan Repayment

One of our most important responsibilities is to help student borrowers successfully repay student loans. Learn about responsible loan repayment and the long-term consequences of debt before accepting a student loan in the borrower section of our website:

[www.iowaCollegeAid.gov](http://www.iowaCollegeAid.gov)

# STAFFORD LOAN SUMMARY

**Interest Rates:** Stafford Loans first disbursed on or after July 1, 2006 have fixed interest rates. The rates differ based on when the loan is first disbursed, whether the loan is for an undergraduate or graduate student and whether the Stafford Loan is subsidized or unsubsidized. The chart on the right outlines the fixed interest rates. The corresponding rate is effective for the entire life of each loan.

*Interest rates for loans disbursed prior to July 1, 2006, can be found at [www.iowaCollegeAid.gov](http://www.iowaCollegeAid.gov).*

**Fees:** Stafford Loan fees differ depending on when the loan is first disbursed and whether the loan is disbursed by a lender through the Federal Family Education Loan Program (FFELP) or through the Federal Direct Loan Program.

*The Iowa College Student Aid Commission (Iowa College Aid) will pay the 1% Federal Default Fee for Federal Stafford and PLUS Loans it guarantees during the 2009-2010 award year.<sup>1</sup>*

**Eligibility:** There are two types of Stafford Loans – subsidized and unsubsidized. Your eligibility for both types is determined by the results of your FAFSA (Free Application for Federal Student Aid) data.

**Subsidized Stafford Loans** are restricted to borrowers with demonstrated financial need. If you are eligible for a subsidized Stafford Loan, the federal government pays the interest while you are enrolled at least half time, during the six-month grace period and during periods of authorized deferment. A portion of your loan may be subsidized, while another portion may be unsubsidized.

**Unsubsidized Stafford Loans** are not awarded on the basis of financial need. You will be charged interest from the time you receive the funds until the loan is paid in full. If you do not pay the interest while you are in school, it will be capitalized (added to the principal amount of your loan).

**Loan Limits:** The federal government limits the amount students may borrow each year. The limits, shown in the chart on the right, include the \$2,000 unsubsidized Stafford Loan increase for undergraduate students effective for loans first disbursed on or after July 1, 2008.

<sup>1</sup> All FFELP loans guaranteed by Iowa College Aid from 7/1/09 to 6/30/10 will qualify for this benefit unless statutory, regulatory, or other changes occur that adversely impact Iowa College Aid. This benefit will be reviewed on an annual basis.

## Federal Stafford Loan Interest Rates

Loans first disbursed:	Undergraduate Subsidized Stafford	Undergraduate Unsubsidized Stafford	Graduate/Professional Sub and Unsub Stafford
On or after July 1, 2006	6.8% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2008	6.0% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2009	5.6% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2010	4.5% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2011	3.4% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2012	6.8% fixed	6.8% fixed	6.8% fixed

## Federal Stafford Loan Fees

Loans first disbursed:	Stafford Loans FFELP	Stafford Loans Direct Loan Program
On or after July 1, 2006	2% Origination Fee 1% Federal Default Fee	3% Origination Fee
On or after July 1, 2007	1.5% Origination Fee 1% Federal Default Fee	2.5% Origination Fee
On or after July 1, 2008	1% Origination Fee 1% Federal Default Fee	2% Origination Fee
On or after July 1, 2009	.5% Origination Fee 1% Federal Default Fee	1.5% Origination Fee
On or after July 1, 2010	No Origination Fee 1% Federal Default Fee	1% Origination Fee

## Maximum Federal Loan Limit Amounts

Borrower's academic level	Subsidized and Unsubsidized Stafford	
	Annual amount for dependent	Annual amount for independent*
1st-year undergraduate <small>[subsidized limit is \$3,500]</small>	\$5,500	\$9,500
2nd-year undergraduate <small>[subsidized limit is \$4,500]</small>	\$6,500	\$10,500
3rd-year and beyond <small>[subsidized limit is \$5,500]</small>	\$7,500	\$12,500
Graduate/Professional <small>[subsidized limit is \$8,500]</small>	N/A	\$20,500
	Aggregate	Aggregate
Undergraduate	\$31,000 <small>[subsidized limit is \$23,000]</small>	\$57,500 <small>[subsidized limit is \$23,000]</small>
Graduate/Professional Student	N/A	\$138,500 combined <small>[subsidized limit is \$65,500]</small>

\* If you are age 24 or older, a graduate or professional student, married, a student with legal dependents other than a spouse, a veteran of the U.S. Armed Forces, currently serving on active duty in the U.S. Armed Forces for other than training purposes or an orphan or ward of the court (or were until age 18), you are considered independent.

# PLUS LOAN SUMMARY

Parent PLUS Loans are available to parents of undergraduate students and Grad PLUS Loans are available to graduate/professional students to pay for educational expenses. Parent PLUS and Grad PLUS loans are federally insured and offer attractive deferment and forbearance options. Typically, Parent PLUS and Grad PLUS loans are used to pay unmet educational expenses. They may also be used as an alternative to private student loans.

### Eligibility:

- Any natural or adoptive parent (or the spouse of a custodial parent who is remarried) with a dependent undergraduate student who is enrolled at least half time.
- Any graduate or professional student who is enrolled at least half time.

Parent PLUS and Grad PLUS loan borrowers are subject to credit checks. Adverse credit may prohibit borrowing in these programs. If a parent borrower is denied a Parent PLUS Loan, the dependent undergraduate student is eligible for additional Federal Unsubsidized Stafford Loan amounts. Contact financial aid officials at your college if you have questions.

**Interest Rates:** The interest rate is fixed at 8.5% for PLUS and Grad PLUS loans through the Federal Family Education Loan Program (FFELP). PLUS and Grad PLUS loans through the Federal Direct Loan Program are fixed at 7.9%.

*Interest rates for loans disbursed prior to July 1, 2006, can be found at [www.iowaCollegeAid.gov](http://www.iowaCollegeAid.gov).*

**Fees:** FFELP - 1% Federal Default Fee and 3% origination fee; Direct Loan Program - 4% origination fee.

*The Iowa College Student Aid Commission will pay the 1% Federal Default Fee for Federal Stafford and PLUS Loans it guarantees during the 2009-2010 award year.<sup>1</sup>*

**Repayment:** The first payment is due within 60 days of the loan being fully disbursed. Parent PLUS borrowers whose loan is first disbursed on or after July 1, 2008 may request postponement of repayment while the student for whom the loan was borrowed is enrolled at least half time. The postponement includes a six-month grace period after the student ceases to be enrolled at least half time. In-school deferment is available to postpone payments for Grad PLUS borrowers who are enrolled at least half time and for the six-month period thereafter. All borrowers have up to 10 years to repay the loan, with a minimum yearly payment amount of \$600 (\$50 per month).

**Loan Limits:** There is no annual or aggregate limit. A borrower may request an amount equal to the cost of education, minus any other financial aid the student receives.

# PERKINS LOANS

**Interest Rates:** The Perkins Loan interest rate is fixed at 5%. The federal government pays the interest while you are enrolled at least half time, during the nine-month grace period and during periods of authorized deferment.

**Eligibility:** Both undergraduate and graduate students with exceptional financial need may be eligible. Your FAFSA (Free Application for Federal Student Aid) results will be used to determine your eligibility for the Perkins Loan.

**Loan limits:** For Perkins Loans first disbursed on or after July 1, 2008, the maximum amount is \$5,500 per year for undergraduate students, \$8,000 per year for graduate students.

**Repayment:** Funds are provided as a partnership between the federal government and your college or university. You must repay this loan to your college or university. If you are enrolled at least half time, you are given nine months after you graduate, leave school, or drop below half-time status before you must begin repayment. If you are enrolled less than half time, check with the financial aid officials at your college to determine your grace period.

# PRIVATE LOANS

Private loans are available to students and families who need additional funding to bridge the cost of education and other available sources of financial aid. As a general rule, students should only use private loans if they have taken advantage of the full range of federal and state aid offered to them through their college or university financial aid office. Private loans are not federally insured and may be more costly than the Federal Stafford Loan. Lenders who make private loans are often more selective about who may receive loans, often requiring students to pass a credit check and have a cosigner.

There are many types of private loans available, all with unique origination fees and interest rate structures.

If you need a private loan or if you have additional questions, check with your college or university financial aid office.

## Forgiveness & Cancellation

Loan forgiveness programs exist at the state and federal levels. These programs are targeted to recruit graduates into high-need professions by offering loan forgiveness or cancellation to reduce student loan debt.

Detailed information about loan forgiveness and cancellation programs for Federal Stafford and Perkins loans can be found on our website at [www.iowaCollegeAid.gov](http://www.iowaCollegeAid.gov).

Loan forgiveness and cancellation programs are available for professional shortage areas such as:

- Teaching
- Federal Employment
- Nursing
- Military Service