

A Little Lesson On Student Loans



Student Loan Vocabulary

Unsubsidized Loan

- Begins to accrue interest immediately after the loan is taken out

Subsidized Loan

- Interest doesn't begin to accrue until after the borrower graduates or has left school and reached the end of their grace period

Capitalized

- If no interest payments are made on a loan, the interest will be capitalized
- This means the interest will be figured for the remaining amount of time on the loan and then added onto the original loan balance, the borrower will then pay interest on the original loan and the capitalized interest

Deferments

- Ability to postpone payments
- Interest can and will accrue if the loan is unsubsidized, nothing will happen to subsidized loans

Forbearances

- Ability to reduce or postpone payments
- Regardless of the loan subsidy status, interest will accrue and may be capitalized.

Consolidation

- Combining many different student loans into one loan, usually with a lower interest rate

The Main Student Loans

Direct Stafford loans

- Issued directly from the federal government and are available through the William D. Ford Federal Direct Loan Program
- Can be subsidized or unsubsidized
- Usually the grace period is about 6 months after graduating (or leaving school)

FFEL Stafford loans

- Available from the Federal Family Education Loan Program and are issued through credit unions, banks and/or other participating lenders
- Can be subsidized or unsubsidized
- Usually the grace period is about 6 months after graduating (or leaving school)

Federal Perkins loans

- Available to both graduates and undergraduates in extreme financial need; low interest loans from both the federal government and the school, however lender is considered the school
- Repayment is made directly to the school
- Usually the grace period is about 9 months after graduating (or leaving school)



If You Can't Pay

- Your credit rating will be hurt
- Loan payments can be deducted from your pay check with little to no warning
- You will have to pay late fees and collection costs as well as interest on the loan
- Federal and state tax refunds can be held and applied to the loan
- You can be sued
- In most cases you can't file bankruptcy on student loans

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