Managing your Student Loans

Student loans are an investment in your future, but as with any investment they must be managed. It is important to know what you can expect when you finish your education and when to start repayment. This guide is intended to help you better understand student loans and how they work.

Student Loan Types

There are several types of loans available for funding your education. The most common are Direct Stafford Loans, from the William D. Ford Federal Direct Loan (Direct Stafford Loan) Program, which are low-interest loans for eligible students to help cover the cost of higher education. Eligible students borrow directly from the U.S. Department of Education. Listed below are the various types of loans:

- **Subsidized Loans**—Direct Subsidized Loans are for students with financial need. You are not charged interest while you’re in school at least half-time. Only Undergraduate students are eligible to receive Subsidized loans.
- **Perkins loans** are need-based and do not accrue interest while you are attending school. They also have a fixed interest rate of 5%, and payments are deferred until 9 months after graduation.
- **Unsubsidized Loans**—You are not required to demonstrate financial need to receive a Direct Unsubsidized Loan. Interest accrues on an unsubsidized loan from the time it’s first paid out. You can pay the interest while you are in school and during grace periods and deferment or forbearance periods, or you can allow it to accrue and be capitalized (that is, added to the principal amount of your loan).
- **Parent/Grad PLUS Loans**—are credit based and require an application for approval. They are not need-based and begin to accrue interest when they are disbursed. Parents taking a PLUS loan may request the loan be deferred while the student is enrolled at least half-time. Grad PLUS recipients deferment will work the same as the Unsubsidized loan.
- **Non-Federal loans**—These loans are NOT Federal loans and are called Alternative or Private loans. These are credit based loans that require an application for approval from a private lending institution not affiliated with The US Department of Education or OSU. The terms and repayment of these loans can vary. These loans cannot be consolidated with Federal Student loans under federal consolidation plans.

Student Loan Limits

There are limits to the amount of federal loan funds you are able to borrow. Each year you are limited to a certain amount, and there is also an overall aggregate borrowing limit.

<table>
<thead>
<tr>
<th>YEAR IN COLLEGE</th>
<th>DEPENDENT UNDERGRADUATE</th>
<th>INDEPENDENT UNDERGRADUATE</th>
<th>GRADUATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Year</td>
<td>$5,500 (max of $3,500 of this amount may be in subsidized loans)</td>
<td>$9,500 (max of $3,500 of this amount may be in subsidized loans)</td>
<td>$20,500 (unsubsidized)</td>
</tr>
<tr>
<td>Second Year</td>
<td>$6,500 (max of $4,500 of this amount may be in subsidized loans)</td>
<td>$10,500 (max of $4,500 of this amount may be in subsidized loans)</td>
<td></td>
</tr>
<tr>
<td>Third and Beyond (each year)</td>
<td>$7,500 (max of $5,500 of this amount may be in subsidized loans)</td>
<td>$12,500 (max of $5,500 of this amount may be in subsidized loans)</td>
<td></td>
</tr>
<tr>
<td>Maximum Total Allowed Debt from Stafford Loans (aggregate loan limits)</td>
<td>$31,000 (max of $23,000 of this amount may be in subsidized loans)</td>
<td>$57,500 (max of $23,000 of this amount may be in subsidized loans)</td>
<td>$138,500 (includes loans received for undergraduate study)</td>
</tr>
</tbody>
</table>

BUDGETING

There are a number of things to consider when developing a budget. The more research and planning you can do, the better off you will be in the long run. Part of the process is to separate needs from wants. To save money it really helps to understand what is a need and what is a want. You may understand on the surface that food is a need and a latte is a want, but some mornings after cramming for a test or working late that morning latte will sure seem like a need. Identify those areas that are truly necessary and those you can live without. Remember, the small sacrifices you make today will help keep you from having to make larger ones in the future.

Do your research! Compare costs before making decisions. Everybody makes mistakes with their money. The important thing is to keep them to a minimum. Here is our list of the top mistakes people can make with their money.

- Buying items you don’t need...and paying extra for them in interest.
- Getting too deeply in debt.
- Paying bills late or otherwise tarnishing your credit standing.
- Having too many credit cards.
- Not watching your expenses.
- Not saving for your future.
- Paying too much in fees.
- Not taking responsibility for your finances.

It’s really up to you to take charge of your finances. Doing so can be intimidating for anyone. It’s easy to become overwhelmed or frustrated. And everyone makes mistakes. The important thing is to take action.
Managing Your Loans

The National Student Loan Data System (NSLDS) is a database that houses records of all your federal student loans, servicer information, and grants (private/alternative loans will not be here but should have their own websites to check their status. Contact your lender for more information). At nslds.ed.gov you can see how much you owe and what status your loans are in. It is an essential tool in managing your student loans!

**Remember the grace period:** After you graduate, you’ll probably have a lot to think about—choosing where to live, finding a job, renting an apartment. Luckily, you don’t have to add student loans to your list, too, at least not for now. Thanks to the grace period built into most student loans, you’ll get anywhere from six to nine months before you need to begin repayment of your loans.

**Consider a deferment or forbearance, if you can’t pay:** At times, you may find it financially difficult or impossible to repay your student loan. The worst thing that you can do is bury your head in the sand and ignore your payments (and your servicer) completely. The best thing that you can do is contact your lender and apply for a deferment or forbearance on your loan. Remember, these things are never automatic. You’ll need to fill out the appropriate application from your lender, attach any supporting documentation, and follow up to make sure that your application has been processed correctly.

**Keep track of your paperwork:** If your idea of organization is stuffing your random assortment of student loan papers into your sock drawer, think again. Repaying your student loans is a serious matter, and you’ll need to stay on top of it. It’s important to keep accurate, accessible records. Open a file folder for each loan, and file any accompanying paperwork there, such as copies of promissory notes, coupon booklets, correspondence from your lender, deferment and/or forbearance paperwork, and notes of any phone calls.

Repayment Options

To pick the best repayment option, you’ll need to determine the amount of discretionary income that you have to put toward your student loan each month. This, in turn, requires you to make a budget and track your monthly income and expenses. Your bill will tell you how much to pay. Your payment (usually made monthly) depends on: the type of loan you received, how much money you borrowed, the interest rate on your loan, and the repayment plan you choose. Some types of repayment plans are:

**Standard Repayment:** This repayment plan saves you money over time because your monthly payments may be slightly higher than payments made under other plans, but you’ll pay off your loan in the shortest time. Under this plan, your monthly payments are a fixed amount of at least $50 each month and made for up to 10 years.

**Graduated Repayment:** If your income is low when you graduate, but you expect it to increase steadily over time, this plan may be right for you. Under this plan, your monthly payments start out low and increase every two years, are made for up to ten years, will never be less than the amount of interest that accrues between your payments, and won’t be more than three times greater than any other payment.

**Extended Repayment:** If you need to make lower monthly payments over a longer period of time than under plans such as the Standard Repayment Plan, then the Extended Repayment Plan may be right for you. Under this plan, your monthly payments are a fixed or graduated amount, made for up to 25 years, and generally lower than payments made under the Standard and Graduated Repayment Plans.

For more information on estimated payments under these plans and other plan types that may be available, please visit studentaid.ed.gov/repay-loans/understand/plans.

Loan Repayment Chart

The following chart shows what you can expect to pay each month, how much interest you will have paid, and the total cost of the loan. $31,000 represents the maximum you can borrow as a Dependent Undergraduate, and $57,500 is the maximum you can borrow if you are an Independent Undergraduate. In most cases you are considered a Dependent student until you are 24. This table represents funds borrowed at a 6.8% interest rate repaid over 10 years (120 payments).

For other repayment scenarios, visit studentloans.gov and check out their repayment calculators!

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Payment</th>
<th>Total Interest</th>
<th>Total Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
<td>$575.4</td>
<td>$1,904.80</td>
<td>$6,904.80</td>
</tr>
<tr>
<td>$10,000</td>
<td>$115.08</td>
<td>$3,809.60</td>
<td>$13,809.60</td>
</tr>
<tr>
<td>$15,000</td>
<td>$172.62</td>
<td>$5,714.40</td>
<td>$20,714.40</td>
</tr>
<tr>
<td>$20,000</td>
<td>$230.16</td>
<td>$7,619.20</td>
<td>$27,619.20</td>
</tr>
<tr>
<td>$31,000</td>
<td>$356.75</td>
<td>$11,810.00</td>
<td>$42,810.00</td>
</tr>
<tr>
<td>$40,000</td>
<td>$460.32</td>
<td>$15,238.40</td>
<td>$55,238.40</td>
</tr>
<tr>
<td>$50,000</td>
<td>$575.40</td>
<td>$19,048.00</td>
<td>$69,048.00</td>
</tr>
<tr>
<td>$57,500</td>
<td>$661.71</td>
<td>$21,905.20</td>
<td>$79,405.20</td>
</tr>
</tbody>
</table>

More information can be found at: oregonstate.edu/financialaid