

# UNDERSTANDING YOUR AWARD LETTER: INFORMATION ON STUDENT LOANS

A student loan is funding you are given to pay for school that you must pay back plus interest. Interest is a percentage fee of the total money you borrow that you are charged monthly for.

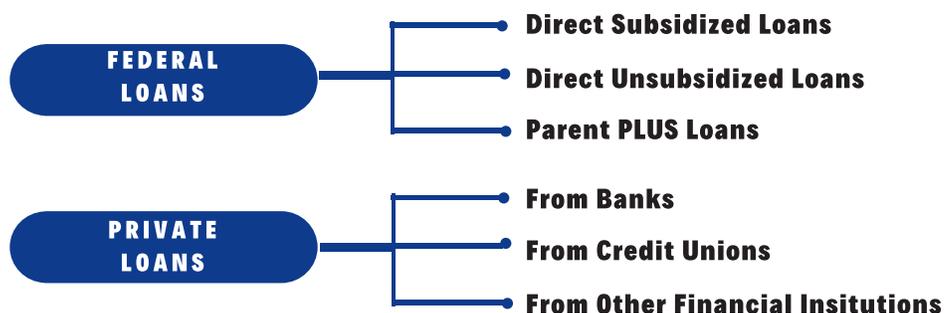
## HOW DO I SPOT LOANS ON MY AWARD LETTER?

They usually are labeled as “Federal Direct Subsidized” or “Federal Direct Unsubsidized”. These are two types of federal student loans. You may also see “Parent PLUS” on your award letter, which is a loan that your parent can borrow to help pay for your education.

## WHAT IS THE DIFFERENCE BETWEEN THE TYPES OF LOANS?

### FEDERAL LOANS

- **Direct Subsidized Loans** do not start to charge you interest until you graduate, withdraw, or drop below half-time enrollment.
- **Direct Unsubsidized Loans** start to charge you interest as soon as you receive the loan money.
- **Parent PLUS Loans** are granted to your parent. This means that your parent is the borrower and they will be responsible for repaying the loan. The parent cannot transfer it to the student at a later time. These loans have a higher interest rate. There is no limit to the amount that can be borrowed, which means you should use wisely, and only if necessary. **Only take out what is absolutely necessary to avoid unnecessary risk and debt.**



### PRIVATE LOANS

Banks, credit unions, and other financial institutions offer private student loans too. Private loans typically have a higher interest rate, so they can be a bit more expensive over time. They also do not have as many benefits and flexibilities for repayment as federal loans. These loans should be your last option to pay for school.



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## SHOULD I BORROW STUDENT LOANS?

If your total real costs are greater than the total gift aid you've received, then student loans can be a great option to help pay for school. It's wise to borrow what you need, which may not necessarily be the full amount you are offered.

For example, if your total gift aid is \$5000, but your total real costs are \$7000, you have \$2000 left to cover. You may get offered a Direct Subsidized Loan for \$2000 and a Direct Unsubsidized Loan for \$3000, for a total of \$5000. Since you only have \$2000 left to cover, you can accept the Direct Subsidized Loan and reject the Direct Unsubsidized Loan to save yourself from having to repay it at a later time.

This makes for a more affordable way to borrow money for school because you're only borrowing what you need. Remember, to avoid unnecessary debt, only borrow what you need.

Before borrowing, you might ask if your school offers student work programs like Federal Work Study or a Tuition Waiver program where you can work in exchange for free or discounted tuition.



## Q: I'M AFRAID OF DEBT BECAUSE I WORRY ABOUT PAYING IT BACK. WHAT SHOULD I DO?

**A:** Borrowing money can be a little scary, especially if it's the first time. Student loans can be a very useful tool to pay for school when used responsibly. As long as you only borrow what you need and what you know you can repay, student loans can be a great support in helping you reach your goals. Borrowing student loans is an investment in your future and your education.

Student loans can help you establish a credit history and start building credit, which is an important step in becoming financially independent. Having a good credit score can help you afford better prices for things like a new phone, an apartment, or even a car.

