

□ Dig Deeper

Loans may appear to be pretty similar when you compare the basics, but look closer and you'll discover that each lender offers different borrower benefits. It's not always easy to compare them. For example, what's helpful to *some* borrowers may not be helpful to *all* borrowers. That's why it's important to ask specific questions and find out whether a benefit is really going to benefit *you*.

Questions to Ask when Choosing a Lender

Ask lenders the questions below to help you research and compare their borrower benefits.

- ▶ What is your **lowest** interest rate and fee combination, and how can I get it?
 - Is this combination available for the life of the loan, or only during a limited period of time?
- ▶ Is there a limit on how high the variable rate can go?
 - How often is the interest rate adjusted, and how is it determined?
- ▶ Is there a penalty for paying off the loan early?
- ▶ How long can I defer payments while I'm in school?
 - Can I defer payments if I go to graduate school?
- ▶ Are your discounts guaranteed or are they subject to change?
- ▶ What percentage of your borrowers get the discounts that you offer?
- ▶ Will you revoke my discount for "paying on time" if I make a single late payment, or if I ask for a change in the payment schedule?
- ▶ Would you allow me to defer or reduce my payments temporarily because of economic hardship?
- ▶ Do you service your own loans? Will you sell my loan to someone else?

{ www.ICANSucceed.org
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Here's the Catch

Sometimes there are hidden catches that may disqualify you from earning your full borrower benefits. Some lenders are hoping you don't read the fine print when you sign up.

Many lenders offer discounts for making payments by automatic withdrawal. But **here's the catch** – you might not realize that it's up to you to sign up for it in order to receive the benefit. Don't assume the lender will automatically enroll you, or you could miss out on the discount.

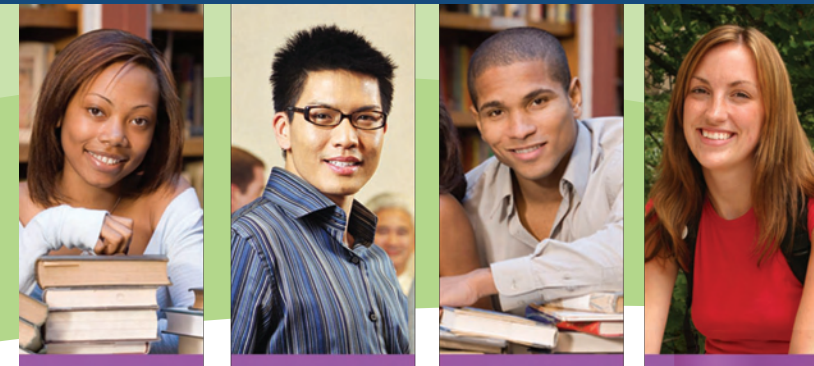
Understand how a lender defines "on time," since some have a strict definition. But **here's the catch** – with some lenders, a payment that is even a day late may disqualify you from receiving the benefit.

Sure, choosing a loan with no "upfront fee" may seem like a great value, but **here's the catch** – you may actually end up paying more in the long run. Why? A loan that comes without an upfront fee may actually have a higher interest rate. It could be cheaper for you to go with a lender who charges an upfront fee than to pay a high interest rate over the life of the loan.



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Student Loan Facts



Your Financial Aid Package may include Student Loans

If you have been awarded financial aid at your college, you will receive an award package, which is generated once the college receives your FAFSA results. The package will outline your specific financial aid options. Aid may include a combination of funds you won't have to pay back, and funds that must be repaid.

Student Loans must be Repaid

Student loans can help make college a reality. But unlike scholarships, grants and work-study, student loans are a form of financial aid that must be repaid with interest; therefore, you should seek them out only after pursuing other forms of financial aid.

A Borrower's Obligation

As with any debt, you must repay your student loans, even if you do not complete your education, you are not satisfied with your education or you do not find employment after you graduate. Failure to make regular monthly payments could result in a defaulted student loan, which would have serious consequences on your credit.

Before you take out a loan, consider whether you will be able to repay it. Your student loan payment obligation will reduce what you can spend in the future on a car, home, furniture and other living expenses, so keep your borrowing to a minimum.

Types of Student Loans

Among the loans that may be offered to you are Perkins Loans, Stafford Loans (either subsidized or unsubsidized) and Parent PLUS Loans. In addition, your college may suggest that you finance a portion of the cost of attendance with a private loan. Keep in mind that you may have to continue to borrow a student loan each year that you're in school. Turn the page to learn more about federal and private loans.

{ **Seek Federal Student Loans First**
Federal student loans are your best option because they're the most affordable.

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Federal Student Loans

	Perkins	Subsidized Stafford	Unsubsidized Stafford	Parent PLUS
Eligibility	<ul style="list-style-type: none"> Available to students enrolled at least half time at an eligible institution and who show financial need. Must file a FAFSA. 	<ul style="list-style-type: none"> Available to students enrolled at least half time at an eligible institution and who show financial need. Must file a FAFSA. 	<ul style="list-style-type: none"> Available to students enrolled at least half time at an eligible institution. Loan isn't based on financial need. Must file a FAFSA. 	<ul style="list-style-type: none"> Available to parents of dependent undergraduates enrolled at least half time. Loan isn't based on financial need. Borrower is subject to credit check.
Annual Loan Limits	<ul style="list-style-type: none"> Undergraduate is up to \$4,000/year. Graduate is up to \$6,000/year. Loan amount is determined by college and is based on funding availability. 	<ul style="list-style-type: none"> Freshman = \$3,500 Sophomore = \$4,500 Junior/Senior = \$5,500 	<ul style="list-style-type: none"> Dependent students may borrow a combination of subsidized and unsubsidized, not to exceed the limits for Subsidized Stafford. Independent students may be eligible for additional funds: <ul style="list-style-type: none"> Freshman and Sophomore = \$4,000 Junior and Senior = \$5,000 	<ul style="list-style-type: none"> Cost of attendance, less other aid received.
Interest Rate/ Fees	<ul style="list-style-type: none"> 5% fixed. No fees. No interest until repayment begins. 	<ul style="list-style-type: none"> 6.8% fixed; on July 1, 2008, the rate will become 6% fixed. Origination/default fees up to 2.5%. No interest until repayment begins. 	<ul style="list-style-type: none"> 6.8% fixed. Origination/default fees up to 2.5%. Interest begins to accrue once funds are received. 	<ul style="list-style-type: none"> FFELP = 8.5% fixed. Direct = 7.9% fixed. Origination/default fees up to 2.5% Parent pays the interest.
Grace Period	<ul style="list-style-type: none"> Nine months after graduation or changing to less than half time. 	<ul style="list-style-type: none"> Six months after graduation or changing to less than half time. 	<ul style="list-style-type: none"> Six months after graduation or changing to less than half time. 	<ul style="list-style-type: none"> None. Repayment begins 30 days after the first disbursement.

Direct Lending and FFELP Programs

Colleges elect to participate in one of two programs that provide Federal Stafford and PLUS loans for students. The programs are similar with the main difference being the source of the money. Note that it is the school – not the borrower – that dictates which type of loan will be issued.

- ▶ **William D. Ford Federal Direct Loan Program (Direct)**
 - The federal government is the lender. The school acts as the loan originator; however, the student repays the loan directly to the government.
- ▶ **Federal Family Education Loan Program (FFELP)**
 - Approved private lending institutions such as banks, savings and loans, and credit unions make these loans on behalf of the federal government.
 - If a college participates in the FFELP loan program, the student must choose a lender.
 - ▶ Be careful which lender you choose. Each lender offers different borrower benefits and repayment terms, so look for the best value. It's a good idea to use the same lender each time you borrow because not only will it make the process simpler as you reapply each year, but repayment will be more convenient if you work with a single lender.

Private Student Loans

Take advantage of any federal loan programs that you qualify for before you explore other loans. Federal loans are your best option because they're the most affordable. But if you've exhausted your federal student loan options, there are lending institutions that offer private loan programs to help students pay for the cost of education. Some private loan programs are designed for student borrowers, while others are for parent borrowers. Many lowans borrow private student loans through the following providers:

- ▶ **Iowa Student loan**
 - www.studentloan.org
 - The Iowa Student Loan Partnership Loan Program is the state-authorized private loan program.
- ▶ **Citibank**
 - www.citibank.com
- ▶ **Wells Fargo**
 - www.wellsfargo.com

Check Financial Aid

Before you borrow a private loan, ask your financial aid office how much you can borrow in private loans without reducing your eligibility for government or institutional aid.

Know the Basics

For many students, loans are inevitable. If used wisely, they can be a helpful resource in paying for college. But they can also be a costly mistake. Before you borrow a loan, gather the basic facts.

- ▶ How much can I borrow?
- ▶ What is the interest rate?
- ▶ What fees are deducted from the loan?
- ▶ Who is responsible for repaying the loan?
- ▶ When does repayment begin?
- ▶ How much time do I have to repay the loan?

The Cost of Attendance

The **cost of attendance** at a college will include allowances for personal expenses and transportation. These items may already be part of your family budget, so you might not need to borrow to cover these expenses.

