FINANCING YOUR COLLEGE EDUCATION

Student and Parent Loan Information

We don't have to tell you that college is expensive. Student and parent loans can help make your college dreams a reality. Here is some information to help you understand the types of loans, how they work and the steps you should take to secure them. When your total need isn't met by scholarships, grants and/or work-study, there are low interest rate loans to consider. The loan program for 2024-2025 is the Federal Direct Loan Program. These loans include the Direct Student Loan, PLUS Loans and Consolidation Loans. Student Signature Loans or Private Loans do not fall within this program. They are limited; check your bank or lender for details.

1. **William D. Ford Federal Direct Loan Program –** The student is the borrower; the loan is in the student's name. These loans are regulated by the Federal Government. Each year the Federal Government may change the interest rate. These loans are payable 6 months after college graduation. At that time the loans can be consolidated and a repayment schedule can be agreed upon. The maximum amount you can currently borrow is $5500 in the 1st year, $6500 in the 2nd year, and $7500 in the 3rd and 4th years. There are two types of Direct Loans:

   Subsidized – The interest on this need-based loan is paid by the government while a student is in school. Payment of the principal is deferred until 6 months after graduation.

   Unsubsidized – The interest on this non-need based loan is not subsidized by the government and must be paid but can be deferred until 6 months after the student graduates. If the law remains unchanged the interest rate will be fixed at 6.53%.

   Your financial aid offer from your college will tell you if you qualify for a need-based subsidized Direct Loan. If you do not qualify, then you can always get an unsubsidized Direct Loan, which is not need-based, even if the college doesn't offer it to you. Remember that you must file financial aid forms in order to be eligible to participate in the Federal Direct Loan Program.

2. **Direct PLUS Loans (Parent Loan for Undergraduate Students)** – Direct PLUS loans are federal loans in a parent's name. A parent can borrow up to the entire cost of attendance (less student financial aid). The interest rate on a Direct PLUS loan is currently fixed at 9.08%. In most cases you will need to begin repayment of the interest within 30-45 days of securing the loan. Payment of the principal can be deferred until 6 months after the student graduates.

4. **Additional Student Direct Loans** – If a parent applies for a PLUS loan and is denied after a credit check, then the student can apply for an additional unsubsidized Direct Loan. Check with your college after you have been denied a PLUS loan.

   The Federal government does **not** offer or administer the following:

5. **Student Signature Loans** – A student can apply for a Student Signature Loan but this loan must be co-signed by a credit-worthy adult. Each private lender has a different rate and payment schedules.

   For more information, contact us at **631-864-3688 or** visit
   https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized

Repayment Plans

When it comes time to start repaying your student loans, you can select a repayment plan that's right for your financial situation. Generally, you'll have from 10-25 years to pay your student loan depending on which repayment plan you choose. You can change repayment plans at any time – for free. Currently, here are your options:

1. **Standard repayment** - You'll pay a fixed amount each month for 10 years (or within 10-30 years for Consolidation Loans).

2. **Extended repayment -** You must have more than $30,000 in outstanding Direct Loans. You'll pay a fixed amount or graduated repayment amount for 25 years.

3. **Graduated repayment** - With this plan, your payments start out low and increase every 2 years. The length of your repayment period will be up to 10 years (Or within 10-30 years for Consolidation Loans).

4. **Pay As You Earn Repayment (PAYE) –** Your monthly payments are 10% of your discretionary income and are recalculated each year based on updated income and family size.

5. **Income-based repayment (IBR) -** Your monthly payments will be either 10% or 15% of discretionary income (depending on when you received your first loans), but never more than you would have paid under the 10-year Standard Repayment Plan**.**

6. **Income-contingent repayment (ICR) -** Your monthly payment will be the lesser of 20 % of your discretionary income or the amount you would pay with a fixed payment over 12 years. Payments are recalculated each year on the basis of your adjusted gross income, family size and total amount of loans.

For more information, call us at 631-864-3688 or visit https://studentaid.gov/manage-loans/repayment/plans