ICAN
Succeed. In Education. In Career. In Life.

Student Loan Facts

Think Before You Borrow

You will receive a financial aid offer from each college or universitiy based on your FAFSA results and other academic and extra-curricular factors. The offer will outline your specific financial aid options, which may include a combination of grants, scholarships, work-study, and loans.

Student loans can help make college a reality. However, unlike grants, scholarships, and work-study, student loans are a form of financial aid that must be repaid with interest. As with any debt, you must repay your student loans, even if you don't complete your education, you're not satisfied with your education or you don't find employment after you graduate. Failure to make regular monthly payments could result in a defaulted student loan, which could have a serious impact on your credit score.

Explore All Other Options

Before you take out a loan, make sure you've considered all possible options for funding your education. Search for additional scholarships, consider a part-time job, or talk to your financial aid office.

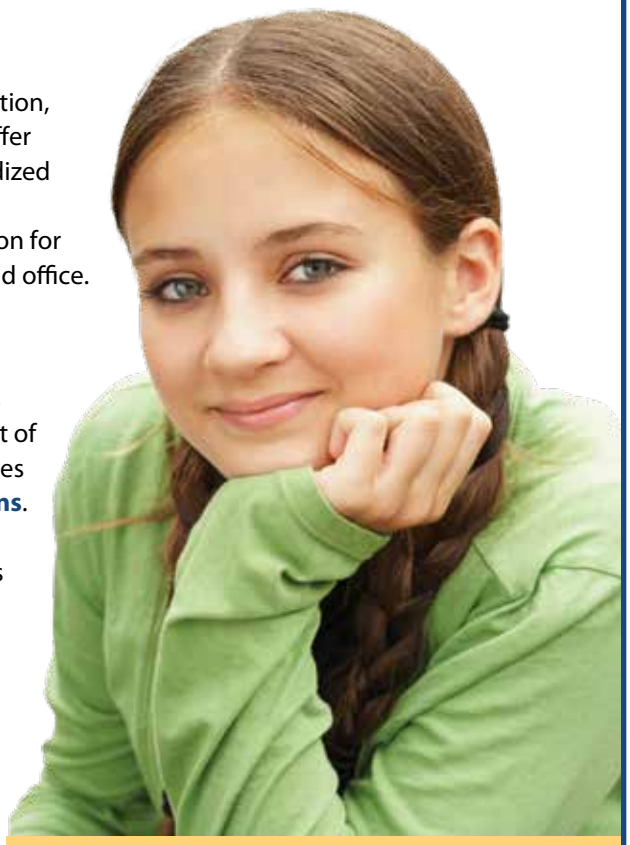
When considering a loan also consider whether you'll be able to repay it. Keep in mind that you may have to continue borrowing student loans each year that you're in school. Your student loan payment obligation will reduce what you can spend in the future on a car, home, furniture, other living expenses, and family. It's important to keep your borrowing to a minimum.

Research Student Loan Options

Federal Student Loans are an option provided by the US Department of Education, and, for some students, are the most affordable option. Federal student loans offer deferred payments and fixed interest rates, and for some students even a subsidized interest rate while in-school. There are also federal loan options for parents. The application process for federal student loans is done through the Free Application for Federal Student Aid (FAFSA) and accepted through your institution's financial aid office. For more information visit **ICANsucceed.org/federalloans**.

Private Student Loans are offered by various private lenders, banks, and credit unions. Depending on a lender's qualification requirements, private loans may be a better fit for some students and parents. Each lender has a different set of criteria, which, when qualified, can offer students and parents better interest rates and payment options. For more information visit **ICANsucceed.org/privateloans**.

The State of Iowa has a nonprofit lender, ISL Education Lending, that offers rates for students and parents that, after a credit check, are often below those of national lenders and the Federal Plus Loan.
Make sure they are one of the options you research. Learn more at **iowastudentloan.org**.



Are You Student Loan Savvy? Take the Quiz.

Before you decide to borrow you should know your facts about the commitment you're making. Take the "How Well Do You Know Your Student Loans?" quiz at **ICANsucceed.org/loanquiz.**

Still have questions? Call (877) 272-4692 or visit www.ICANsucceed.org

Student Loan Game Plan

To understand the long-term impact of your borrowing decisions ICAN recommends the **Student Loan Game Plan℠**. The **Student Loan Game Plan℠** is a free, interactive online tool that helps students understand ways to borrow less and set the foundation for a financially responsible future. Through a series of questions, the **Student Loan Game Plan℠** can help students and families understand the consequences of over borrowing and, just as importantly, discover how to avoid over borrowing. To begin, visit **iowastudentloan.org/gameplan**.

www.iowastudentloan.org/gameplan

- Explore different majors and debt scenarios.
- Walk through real-life situations to inform your student loan choices.
- Understand how your major/career choice should impact your borrowing decisions.
- Discover everyday challenges you could face in the future if you over borrow.

Provide Solutions to Real Risks

Students often find it easier to borrow now and worry about it later. **Student Loan Game Plan℠** uses several methods to help borrowers understand the consequences of over borrowing. Remember the **1% rule**. Figure **1%** of your total amount borrowed as your monthly payment for **10 years** after you finish school. Your borrowing should be limited to your first year's starting salary. If in your first year you'll make **$40,000**, you shouldn't borrow more than **$40,000**. Borrowing **$40,000** will make your monthly payment approximately **$400** per month for **10** years.

If You Do Borrow - Research Lenders

It's not easy choosing a lender, but not doing your research can be a costly mistake. Before you borrow, gather the basic facts, such as how much you can borrow, interest rates, fees and repayment terms. Before you sign for any private loans, get the answers to these questions. Compare information from different lenders carefully; the combination of fees and conditions can make this a tricky process.

- How is the interest rate for my loan determined? Is the interest rate variable or fixed?
- In determining the interest rate on a loan, do you consider only the credit rating of the cosigner or does the borrower's credit also impact the rate received?
- Are any fees or other charges associated with this loan?
- What's 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 interest 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?
- When will my loan repayment period begin?
- What are the repayment plan options?
- Is deferment or forbearance assistance available for the loan?
- Can I defer payments if I go to graduate school?
- Does the loan include any benefits or interest rate reductions?
- How do I qualify and how could I lose those benefits?
- Are your discounts guaranteed or are they subject to change?
- Would you let me defer or reduce payments temporarily because of economic hardship?
- Do I need a cosigner to get the loan?

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