



NAVIGATING THE COLLEGE LOAN MAZE

by the student editors of **GETTING THROUGH COLLEGE WITHOUT GOING BROKE**,
a Students Helping Students™ book

Although none of us likes the idea of graduating with a load of debt, two-thirds of undergraduate students take out some type of loan to help them pay for college and on average, students graduate with about sixteen thousand dollars in debt. This sounds like a lot, and it is, but you should find some comfort in the fact that millions of students just like you have managed to pay back these loans. There are three general types of loans, outlined below. You should become familiar with them and understand what forms, if any, besides the Free Application for Student Aid, you'll have to fill out to apply for them.

"The most challenging part about financial aid was understanding what my dad was talking about with fixed rates and subsidized loans and the economics of loans—if I had known those words meant thousands of dollars back then, I would have read up a bit more on what I was getting myself into."

**Recent Grad,
University of Wisconsin - Madison**

► Student Loans

Student loans are either provided or guaranteed by the government and they're the best kind of loans to get because they have extremely low interest rates.

The two most popular student loans are the Stafford Loan and the Perkins Loan.

The Stafford Loan can either be subsidized—the government pays the interest while you're in school—or unsubsidized—you're responsible for the interest, although you can usually defer actually paying it until you graduate. You have to qualify for financial aid in order to receive a subsidized Stafford Loan. As of 2002, the most you can borrow with a Stafford Loan is \$2,625 during your freshman year, \$3,500 during your sophomore year, and \$5,500 for each additional year. Many students choose both the subsidized and unsubsidized loans to get the maximum amount.

Students who demonstrate exceptional financial need receive the Perkins Loan. Your college or university will actually administer this loan, but the funds are provided by the government. This is the best kind of loan that you can get—it's completely subsidized, and the government pays the interest while you're at school and for a 9-month grace period after you graduate. In 2002, you could borrow up to \$3,000 per year in Perkins Loans, and you were limited to a total of \$15,000.

"Now that I have finished college I can look back and see what I could have done differently. First of all, I would not have taken so many types of loans. Basically, I took whatever they would give me in loans that did not have interest accruing during school. This was a good strategy but now I have four separate payments to make each month."

**Recent Grad,
University of Wisconsin - Oshkosh**

Whatever Stafford or Perkins loans you get, the money will go directly to the school each semester. You won't be getting a big fat check from the government or a private organization that's lending you money through the Perkins or Stafford program. In contrast, when you get a scholarship, you'll most likely be receiving a check from the organization sponsoring it—unless they're directly from your college, in which case they may be dispersed directly to the bursar's office.

► Parent Loan for Undergraduate Students (PLUS)

Your parents can take out the PLUS loan to help pay for your education. Your parents can borrow as much as they need to supplement the financial aid package that you receive, but they can't borrow more than that. This loan is the responsibility of your parents whereas the Stafford and Perkins loans are your responsibility to pay back.

For more helpful tips and proven strategies from students and recent grads on applying for financial aid, acing your scholarship applications, managing your money at college, staying out of credit card debt, and much more, visit **www.StudentsHelpingStudents.com** and buy the Students Helping Students™ guide titled **GETTING THROUGH COLLEGE WITHOUT GOING BROKE**, available at bookstores and online stores, such as Amazon.com.

► Private Loans

If your family does not receive enough financial aid in the form of Stafford, Perkins, PLUS loans, scholarships, and work-study, your parents might have to apply for additional loans from private lenders. There are many sources for this, but the terms are not as great as those that are provided or supported by the government.