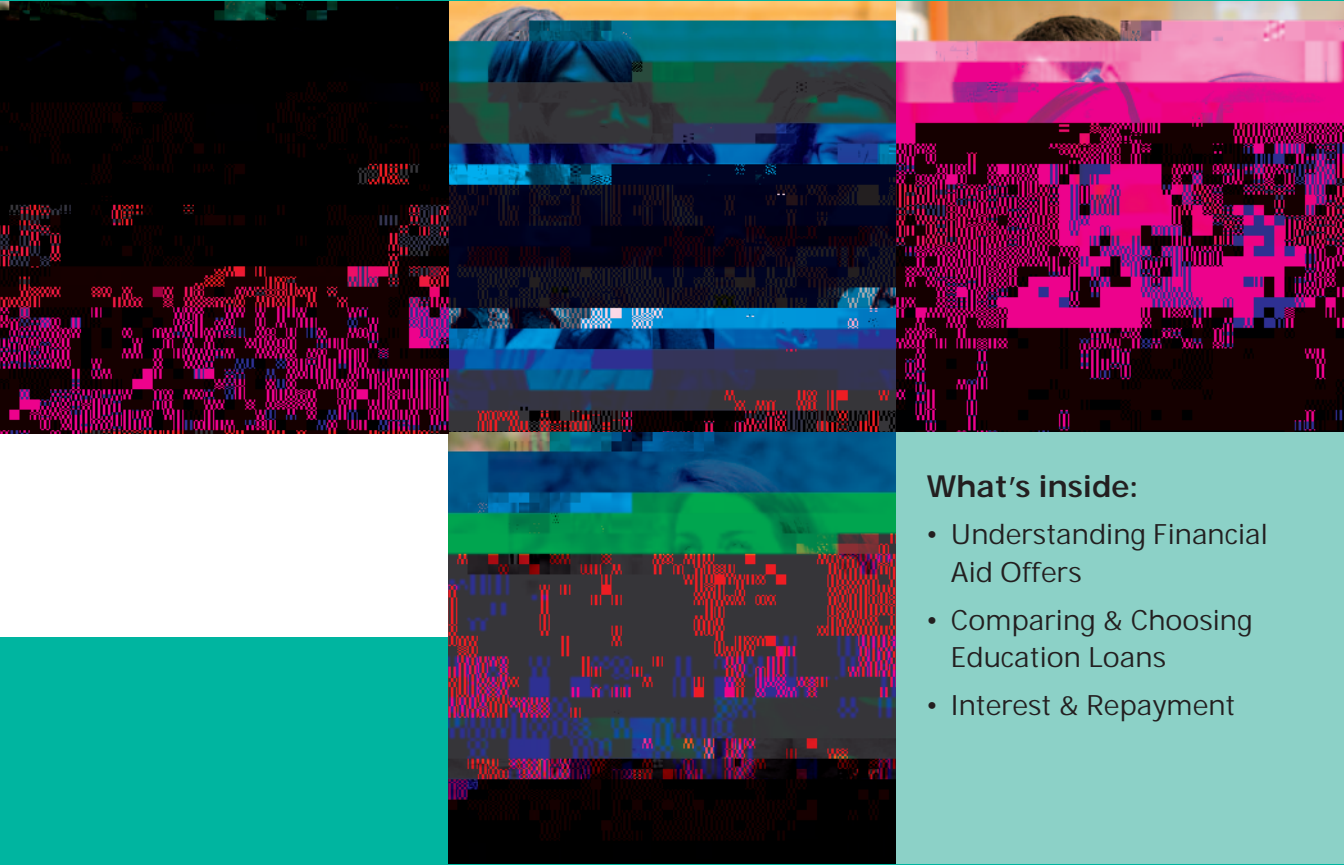


My Education Loans

What to know before you borrow



What's inside:

- Understanding Financial Aid Offers
- Comparing & Choosing Education Loans
- Interest & Repayment

Access these VSAC resources and many more planning tools at vsac.org

Grants & scholarships for Vermont residents at vsac.org/financialaid

- state grants for full-time and part-time degree programs
- state grants for non-degree courses to improve employability or to try a college class
- information on more than 100 scholarships

Education loans for students and parents at vsac.org/loans

- for Vermont residents enrolled in-state, across the U.S., or internationally
- for out-of-state residents attending a Vermont school

Financial aid applications & details online at vsac.org/applications

- FAFSA
- CSS Profile®
- Vermont grant applications
- Unified Scholarship Application for all VSAC-assisted scholarships

Vermont's 529 college savings plan at vheip.org

- a Vermont state income tax credit
- federal and state tax-free earnings and withdrawals

Free career & education planning resources at vsac.org/plan

- online tools for career exploration and planning
- college planning events to guide families through the college search, selection, and application process
- financial aid presentations at schools and other locations
- financial aid forms nights at select high schools
- career exploration and financial aid specifics

vsac.org • info@vsac.org

**KNOW
MORE**
B

In your financial aid offers, accept the scholarships and grants. This is gift aid—free money that doesn't need to be paid back.

Then consider the loans you're offered. Make sure you understand which funds are scholarships and grants that you don't have to repay and which are loans that you do need to repay, with interest.

After you've applied for financial aid, each college will send you its individual financial aid offer, which is tailored to your family's particular circumstances. These offers will differ from school to school, so

SAMPLE

College Financial Aid Offer

Terry Student
Any Old Road
Hometown, VT 05555

Dear Terry:

We are pleased to offer you the financial aid indicated below. Please accept or decline each offer by circling the A or D after each offer. Please sign, date, and return this notification by May 1.

College grant	\$ 500	\$ 500	\$ 1,000	A	D
Federal Pell grant	1,922	1,923	3,845	A	D
Federal Supp. Ed. Opportunity grant	500	500	1,000	A	D
Federal Work-Study	750	750	1,500	A	D
Estimated Vermont grant	1,400	1,400	2,800	A	D
Estimated Federal Direct Subsidized loan	1,750	1,750	3,500	A	D
Estimated Federal Direct Unsubsidized loan	1,000	1,000	2,000	A	D
Estimated Federal Direct PLUS loan	4,857	4,857	9,714	A	D
	\$12,679	\$12,680	\$23,359		

I have read the enclosed information, and I accept this financial aid package as indicated above.

Signature: _____ Date: _____



What are education loans and how do they work?

There are two main types of education loans: federal and non-federal.

Federal education loans

The U.S. Department of Education offers loans to families for undergraduate education. These typically appear on your financial aid offer.

For students:

Federal Direct loans are for students enrolled in college or a training program at least half-time. There are two types:

- Subsidized (based on financial need)
- Unsubsidized (not based on financial need)

For parents:

Federal Direct PLUS parent loans are for up to the full remaining cost of attendance. PLUS loans are available through your school.

Learn more at <https://studentaid.gov/loans>.

Non-federal education loans

These loans, often called alternative loans or private loans, go by all sorts of brand names, depending on the lender. Available through:

- VSAC and other nonprofit state agencies
- your college
- commercial lenders (banks, credit unions)

For students & parents:

Families can use these loan types to cover costs that remain after students borrow federal Direct loans.

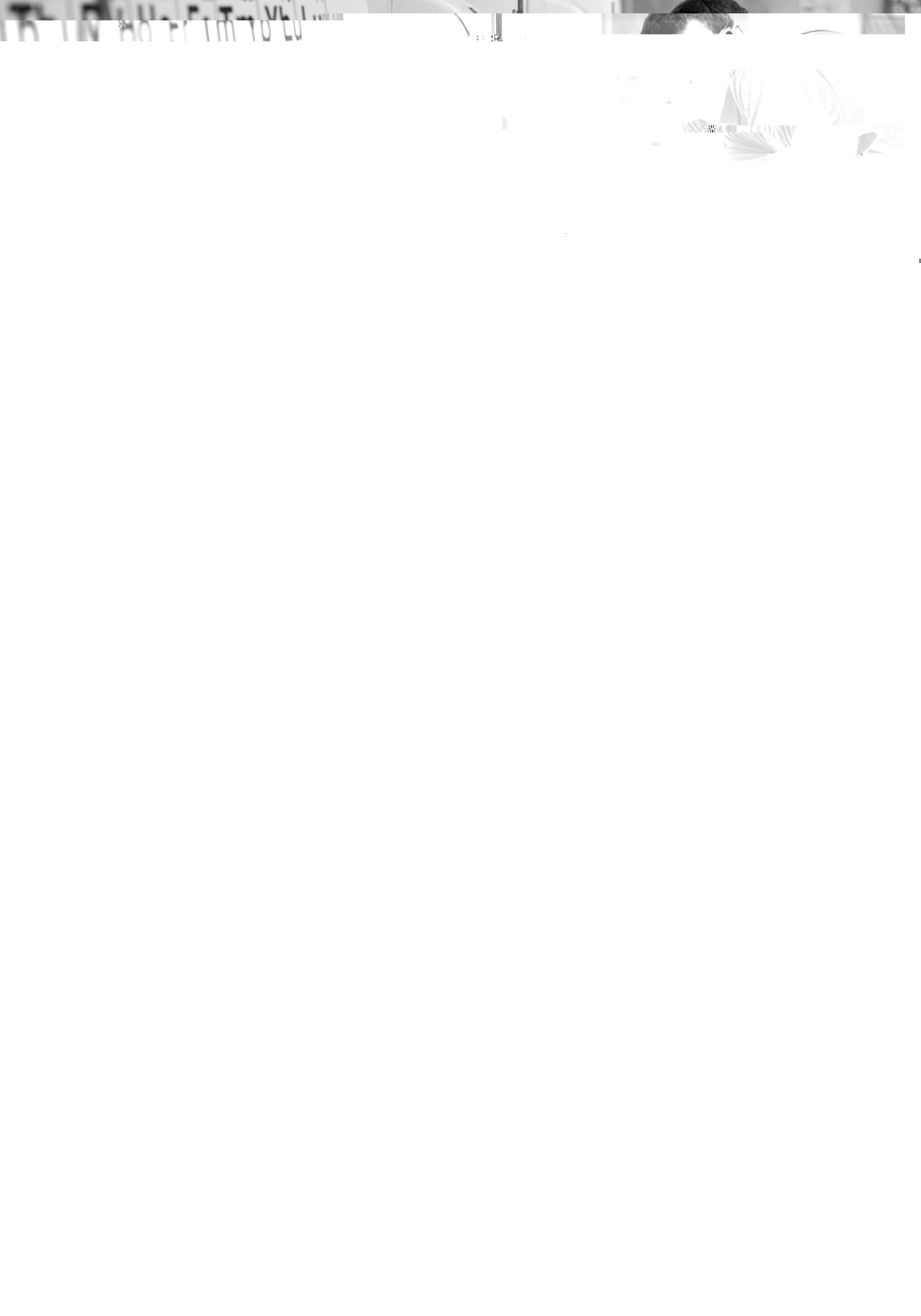
Non-federal loans are NOT created equal—each lender sets its own terms, and they have different benefits, interest rates, and repayment options than federal loans.

Sub or Unsub?

Federal Direct *Subsidized* loans, for students with greater financial need, while a student is in school or in a deferment period. Your school will determine whether you're eligible.



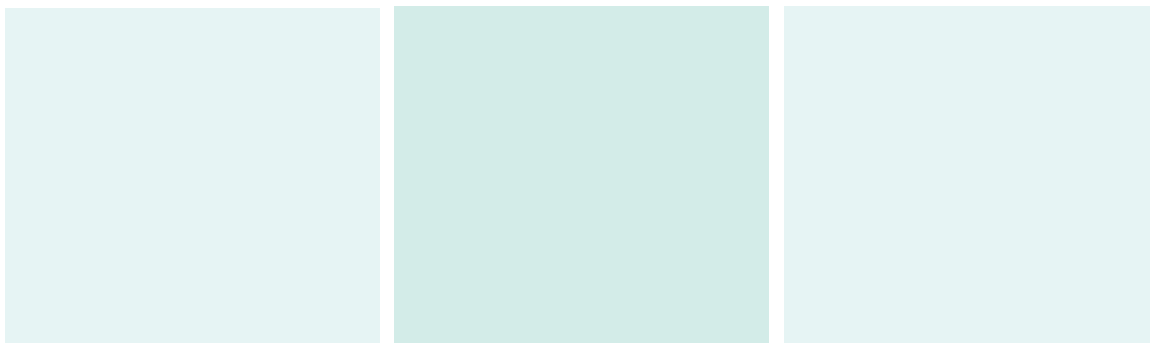
Remember, all loans are borrowed money that need to be repaid with interest, so it's important to compare all of your options and understand costs and terms. It's *your choice* whether to accept some or all of the loan amounts offered in the student's financial aid award. Think carefully about how much you really need.



What to consider when comparing loans

Interest rates

- A fixed rate stays the same over the life of the loan.
-



Interest & Repayment

	Amount borrowed	Interest while enrolled	Balance when you begin repayment
Year 1	\$5,500	\$1,134	\$6,634
Year 2	\$6,500	\$1,012	\$7,512
Year 3	\$7,500	\$789	\$8,289
Year 4	\$7,500	\$410	\$7,910
Total	\$27,000	\$3,345	\$30,345

Amount borrowed	Monthly payment	Length of repayment	Interest in repayment	Total paid
\$30,345	\$323	10 years	\$8,367	\$38,712

**KNOW
MORE**
BORROW
LES

How repayment works

- You must repay your loans even if you don't complete your education, can't find a job related to your degree, or are unhappy with the education you paid for with your loan.

However, certain circumstances might lead to your federal loans being forgiven or cancelled. Visit <https://studentaid.gov/manage-loans/forgiveness-cancellation> for information on loan cancellation and forgiveness.

- While you're in school, estimate what your total monthly payments will be on all your loans, as you go, so you won't be surprised later on. Use the tool at vsac.org/calculator.

When repayment starts

Federal Direct loans for students

Repayment begins after you leave college or drop below half-time enrollment. Your loan servicer will place you on a standard repayment plan (with a fixed monthly payment over 10 years) unless you actively choose a different repayment plan. You can choose from various income-driven repayment plans that may lower your monthly federal student loan payments. Examples include:

- **Revised Pay As You Earn (REPAYE)**

Income-driven repayment plans, such as REPAYE, may lower your monthly federal student loan payments or extend your repayment period. However:

- You'll pay more in interest over time—often much more.
- Under current Internal Revenue Service (IRS) rules, you may be required to pay income tax on any amount that is forgiven if you still have a balance at the end of your repayment period.

- **Public Service Loan Forgiveness (PSLF)**

If you're employed by a government or nonprofit organization, the federal government may forgive the remaining balance on your Direct loans after 120 monthly payments. Amounts forgiven under PSLF are not currently subject to income tax.

Visit <https://studentaid.gov/repay> for more about federal student loan repayment plans such as REPAYE and PSLF.

	Defer 2 years, then standard repayment	Standard repayment	Pay extra \$27/month
Monthly payment	\$355 for 10 years after 2-year deferment	\$323	\$350
Total paid	\$42,623 over 12 years	\$38,713 10 years	\$37,832 9 years



You'll pay less over the life of your loan if you pay interest while you're in school rather than deferring or extending payments.

To reduce the total cost, you can also opt to pay more than the

Beware of loan forgiveness scams

Loan forgiveness means that you're no longer expected to repay your loan. Under certain circumstances, the federal government may forgive or cancel your remaining federal student loan balance.

Only the federal government can forgive or cancel your loan

Don't be fooled by scam loan companies that promise to have your student loans forgiven for a fee. You may receive phone calls, emails, letters, and/or texts offering to have your federal student loans forgiven. You may see "debt relief" companies advertise on TV, online, or through social media. Some

Never pay a fee for loan help.	Watch out for fake government seals or logos.	Keep your FSA ID private.	Never share sensitive personal information like your Social Security number.	Avoid "debt relief" companies that advertise anywhere, including social media.
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The federal Department of Education and its federal loan servicers will never charge fees to help you with your student loans.

Remember: If you're asked to pay a fee, you're not dealing with the U.S. Department of Education, so don't share your information.

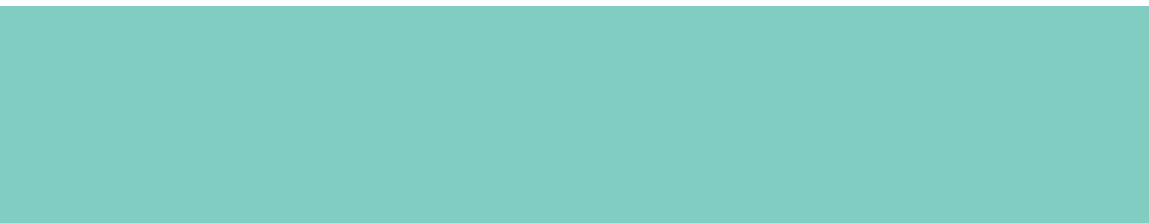
Your first inclination may be to rule out schools with high tuition, but these schools are often able to provide a lot of financial aid in grants and scholarships (that don't have to be paid back). This is why

DO:

- Make your payments on time.
- Pay a little extra with each monthly

DON'T:

- Extend your repayment term.
- Defer your payments (see page 10).
- Default on your loan.



- Parent or stepparent* of dependent undergraduate students enrolled or accepted for enrollment at least half time in an eligible program.

- Credit approval required.
- Repayment begins following final disburse

Glossary of Education Loan Terms

Borrower

The student or parent who signs a promissory note and agrees to repay a loan. Borrowers are legally responsible for repayment of their loan(s).

Capitalization

The addition of unpaid interest to a loan's principal balance (original amount borrowed). Unless a loan is subsidized, you're responsible for paying the interest during all periods, starting from the date of the first loan disbursement. You can choose either to pay it as it accrues (while you're in school or during a grace period) or let it accrue and be added to the principal balance when you begin repayment. If you allow interest to be capitalized, the total amount you repay over the life of your loan will be greater than if you paid the interest as it accrued.

Cosigner

An individual who has the same responsibilities for repayment of a loan as the student borrower has; a cosigner is equally liable for the debt.

Cosigner release

The ability to relieve a cosigner of their loan

Direct PLUS loans—loans for graduate students or for the parent (biological, adoptive, or in some cases, stepparent) of a dependent undergraduate student enrolled at least half time at an eligible school. Interest accrues from the first disbursement, and unpaid interest is added to the principal balance.

Fees

See page 7.

Free Application for Federal Student Aid (FAFSA)

The federal application that all students must complete in order to be considered for financial aid, including education loans from the federal government and state grants from VSAC. Colleges also require this form for determination of their own financial aid.

Financial aid offer

A communication (e-mail or letter) that each college sends to inform a student of their financial aid eligibility.

Fixed interest rate

A rate that remains the same over the life of the loan.

Forbearance

A period of time during which the borrower is permitted temporarily to stop making payments or reduce the amount of each payment. The borrower is liable for the interest that accrues on the loan during forbearance. Some forbearances are entitlements for eligible borrowers; others are granted solely at the discretion of the lender.

Grace period

The time after school enrollment ends and before loan repayment begins. Federal Direct student loans have a one-time, six-month grace period.

Grants

Outright gifts of money generally awarded based on a family's level of financial need. Grants are provided by the federal government, by your college, or by the state you live in. Vermont residents should apply for a Vermont grant through MyVSAC at vsac.org or call 800-882-4166 for a paper application.

Income-based repayment (IBR)

One of several long-term repayment plan options for borrowers of federal education loans; your monthly loan payments are limited to a percentage of your annual income (includes spouse's income, if applicable). Monthly payments are adjusted annually based on changes in income and family size.

Income-sensitive repayment

An arrangement in which a monthly payment amount is based on a borrower's income and amount of education loan debt.

Interest rate

The fee a borrower pays for the use of money that's borrowed.

Lender

A bank or student loan company that lends money to students and parents.

Master Promissory Note (MPN)

A legal document in which you promise to repay your loan(s), along with interest and fees, to the U.S. Department of Education. It also explains the terms and conditions of your loan(s).

On-time payment

A payment made within a required timeframe established by the lender.

VSAC can help you pay for college or training.

VSAC, a Vermont nonprofit, has been helping Vermont students of all ages save, plan, and pay for college or training since 1965. We're committed to helping families make informed decisions about paying for college.

- **Free financial aid presentations** at schools and other locations
- **State grants** for Vermont residents in undergraduate full- or part-time study and those taking non-degree courses or training to improve employability
- **Scholarships** for Vermont residents—more than 100 available
- **VSAC student and parent loans** for Vermont residents attending college in Vermont, across the U.S., or internationally, and for out-of-state students attending Vermont colleges. Compare our rates with the federal PLUS.
- **Online applications at vsac.org** that save you time and reduce errors—FAFSA, Vermont grant, VSAC-assisted scholarships, and CSS Profile®
- **Financial aid videos, tips, and resources**

Contact us

ONLINE: vsac.org

CALL: **800-226-1029**

E-MAIL: info@vsac.org

VISIT US: **VSAC Resource Center**
10 East Allen Street
Winooski, Vermont

VSAC 2023



Vermont Student Assistance Corporation 10 East Allen Street PO Box 2000 Winooski, VT 05404

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Summer 2023

