VSAC

PAYING FOR COLLEGE & CAREER TRAINING

My Education Loans

What to know before you borrow

What's inside:

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

. . . and more!

KNOW® MORE BORROW LESS

This booklet was produced by the Vermont Student Assistance Corporation,
a nonprofit state agency established by the Vermont Legislature in 1965
to help Vermont students save, plan, and pay for college or career training.

My Education Loans

Congratulations on making the choice to pursue college or career training! It's a valuable investment in your future.

Eight out of 10 jobs in Vermont will require education or training after high school. Reports show that higher education leads to:

- higher earnings over a lifetime
- higher job satisfaction
- healthier lifestyles

When you think about covering costs for college or training, there's a lot to consider. Most families take on student and parent loans to help finance their education. In this guide, we'll break down the complex world of education loans.

Our goal is to help you:

- borrow only what you need
- minimize your education costs

KNOW MORE BORROW LESS

Here's what we'll cover:

The most important thing to remember is that *you're in control*. You have choices, and you get to make them. We're going to show you how.

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**

Understanding Financial Aid Offers

How much will you need?

After you apply for financial aid, you'll receive a financial aid offer from each college that's accepted you (see sample on page 2). These financial aid offers can vary widely: They'll include very different combinations of grants and scholarships that don't need to be repaid, in addition to various education loans that you *do* need to repay, *with interest*. Here's how to interpret your offers:

1. **Add up your total college costs.** This includes tuition and fees, room and board, transportation, books, and personal items throughout the year. This is the best way to get an accurate idea of what that school will cost. If that info isn't listed in your offer, go online or call the financial aid office to ask for those figures.

2. **Subtract your total in grants and scholarships.** These are gift aid—funds you don't have to repay. If you've been offered work–study (money you can earn by working at a campus job), you may also be able to subtract those dollars from your costs, depending on how your school handles those offers.

3. **Calculate the remaining amount.** That's what you'll pay for one year of college. (To estimate your full college cost, multiply this amount by the number of years needed for your degree.) Most families don't have this amount in savings, so they typically meet at least part of it through loans.

Visit **www.vsac.org/finaidoffers** to view examples of financial aid offers and decode some of the "financial aid speak." Then use VSAC's online comparison tool at **www.vsac.org/compareoffers** to crunch the numbers in your offers.

Compare the net prices of your schools' financial offers and ask yourself, "Which school will give me the best educational experience with the lowest debt?"

KNOW MORE BORROW LESS

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 you'll need to compare offers carefully.

Your *total offer* may consist of grant, loan, and work–study funds. Read the fine print on your offer and on any additional forms that are included! Identify the funds that are gifts and the funds you'll be expected to repay.

SAMPLE

College Financial Aid Offer
2021–2022 Academic Year

Terry Student
Any Old Road
Hometown, VT 05555

111-11-1111

March 15, 2021

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.

		Fall	*Spring*	*Total*	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
2	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
3	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.

4 Signature: ________________________________ Date: ___________________

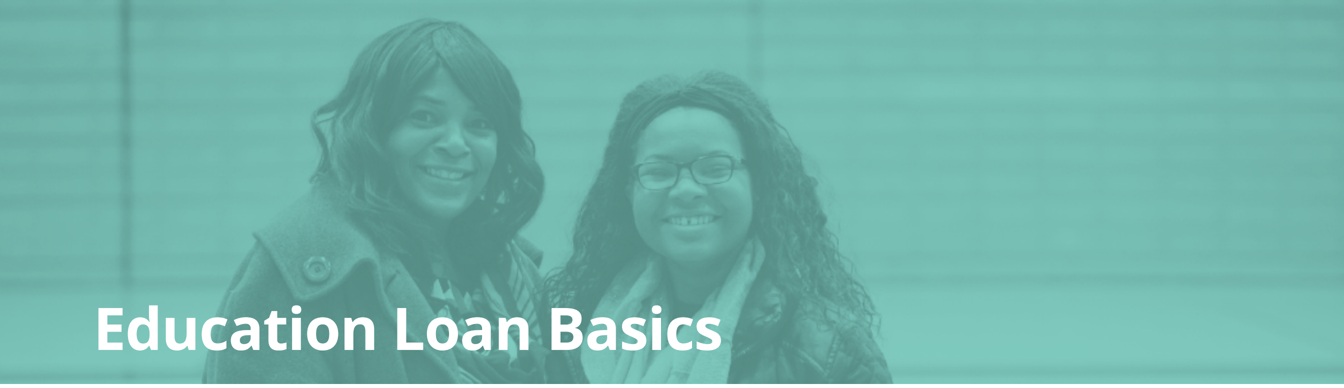
Important! Don't say "YES" to any college until you compare the offer with the total cost of attendance. Include out-of-pocket expenses (travel, books, personal items), as well as costs for tuition, fees, room, and meal plans.

1 Your college may require that you accept or decline your offers. Read all instructions carefully. You may be able to accept some parts of the offer by the college deadline and decide later about loan options.

2 **Students**, borrow federal Direct *student* loans first, because federal loans offer income-based repayment and other repayment options.

3 **Parents**, pause before accepting the PLUS loan so you can compare other options. Education loans are *not* created equal, and loans from nonprofit state agencies such as VSAC may offer families better rates than the federal PLUS loan.

4 Financial aid offers may need to be signed and dated by the applicant and returned by a certain deadline. Follow all instructions!



Education Loan Basics

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.

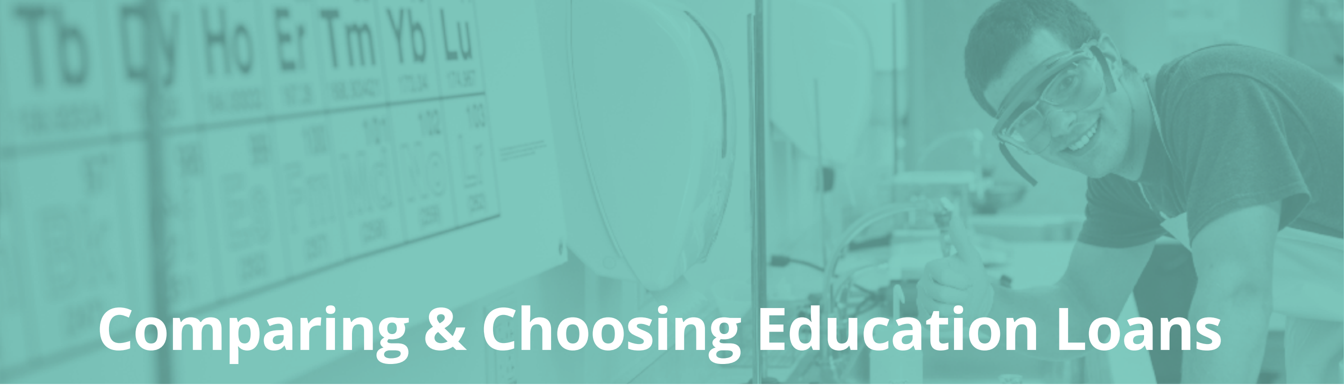
Sub or Unsub?

Federal Direct *Subsidized* loans, for students with greater financial need, *do not accrue interest* while a student is in school or in a deferment period. Your school will determine whether you're eligible.

Federal Direct *Unsubsidized* loans, available for all students regardless of financial need, *start accruing interest* when the loan is disbursed (while you're still in school).

KNOW MORE BORROW LESS

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.



Comparing & Choosing Education Loans

Your financial aid offer is likely to include a variety of education loans. *You choose* which ones to accept or decline.

Step 1: Students, accept these loans

Federal student loans (in the student's name) from the U.S. Department of Education are considered the best place for students to start. These loans offer benefits like flexible repayment options (for example, making monthly payments based on your income or deferring payments during periods of hardship).

The financial aid office at each school will determine whether you're eligible for federal loans, based on the information you reported on your Free Application for Federal Student Aid (FAFSA).

VSAC recommends that you accept the maximum in federal student loans—Direct Subsidized first (if offered), then Direct Unsubsidized—before considering any other types of loans.

Direct Subsidized & Unsubsidized student loan limits for undergraduate dependent students*	
First year (up to $3,500 may be in subsidized loans)	**$5,500**
Second year (up to $4,500 may be in subsidized loans)	**$6,500**
Remaining years (up to $5,500 may be in subsidized loans)	**$7,500**
Cumulative (undergraduate)	**$31,000**

* *Independent undergrads and some dependent undergrads may qualify for an additional amount up to $5,000 in unsubsidized loans, depending on year in school.*

KNOW MORE BORROW LESS

All students who borrow a Direct loan will need to complete loan entrance counseling to help you understand what it means to take out a federal student loan. Your school will provide instructions. The session will cover:

- **federal Direct loans & other financial resources**
- **managing education expenses**
- **your responsibilities and rights as a borrower**

Step 2: Students & parents, compare these loans

Once you've accepted grants, scholarships, and federal student loans (Direct Subsidized and/or Unsubsidized), then it's time to consider additional loans. This is where you'll really need to make choices.

Federal Direct PLUS loans for parents

Some schools will include a PLUS loan in a student's financial aid offer; others won't. Parents, it's your choice whether or not to borrow some or all of the amount offered. Keep in mind:

PROS:
Flexible repayment options, such as deferment during periods of hardship

CONS:
Unlike federal Direct loans for students, these may have higher interest rates than alternatives.

- Pause before borrowing the PLUS, and shop around for a loan with the best rate and other benefits for your situation.
- If, as a parent, you're denied a PLUS loan, your student may receive an additional amount of up to $5,000 in federal Direct Unsubsidized loans.

Non-federal loans

Nonprofit agencies like VSAC, commercial lenders such as banks, and your college may all offer private loans. These loans don't have the same terms as federal loans. Each lender sets its own terms. Before you choose, compare these with the federal PLUS parent loan.

Nonprofit state agencies	Your college	Commercial lenders
Organizations like VSAC often offer student and parent loans with lower rates than federal PLUS, loans from your college, or loans from commercial lenders.	Some colleges offer their own loan programs, which they may list as part of your financial aid offer. *You* choose to accept or decline all or part of these loans.	Commercial lenders can include large national banks, online-only lenders, credit card companies, or credit unions.

Be sure to research these loans carefully because their options will vary widely.

Beware of loans offering a low "teaser" interest rate that few borrowers qualify for. People often apply for a loan thinking that they'll get the advertised low interest rate and find out at the end of the application process that their rate is much higher.

If you start to apply for a loan and find you're not getting the advertised low rate or a rate you want, you should cancel your application and look for a different loan with a better rate.

What to consider when comparing loans

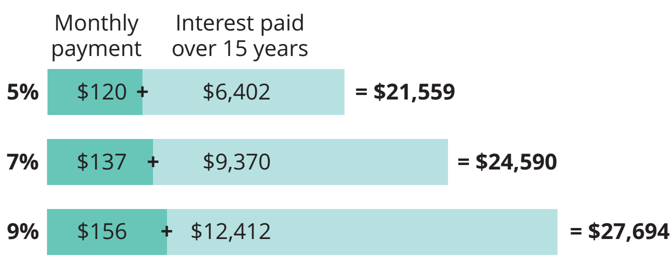
Interest rates

- **A fixed rate stays the same** over the life of the loan.
- **A variable rate changes** with the financial markets (meaning that it can go up or down). Variable-rate loans often have lower initial rates, but these rates may rise over time and cost significantly more over the life of the loan.

Federal loans	Nonprofit loans	Commercial loans
The government sets the **fixed interest rates** for new federal loans each year.	Nonprofit lenders like VSAC **often have fixed rates** that will remain the same for the life of the loan. And some lenders allow you to choose the interest rate up front by selecting the repayment option you want.	Commercial lenders set their own rates, which **may be variable or fixed**. Before you apply, find out what your interest rate will be and whether it will be variable or fixed. If it's variable, be wary if there's no maximum.

A lower interest rate saves you money, but how much does it matter in *real dollars*—in both the amount you'll pay per month and the total over the entire term of your loan? You may be surprised.

Comparing interest rates on a $15,000/15-year loan*



* *This comparison example is based on a loan amount of $15,000, with no fees, paid over 15 years. The rates featured are three possible fixed interest rates you may find in the college loan marketplace today and do not reflect the offerings of a particular lender.*

Based on these three scenarios, total loan costs differ from **$3,031–$6,135**. Monthly payments differ from **$17–$36** per month, but even $17/month can add up to more than $200/year.

KNOW MORE BORROW LESS

Some education loans offer a variable interest rate, which changes over time and can increase quickly.

Others—like federal student loans and VSAC's student and parent loans—offer a fixed interest rate that stays the same over the life of the loan. While variable rates may be low at first, they can end up costing a lot more over time.

Fees

Loans can have fees, either when the loan is made or when repayment starts, and you may end up being charged higher fees than the ones you saw advertised. Some lenders won't provide complete details about their fees until after you've applied.

The most common fee is an origination fee, which is charged when you take out a loan. **Look for no or low origination fees.**

Repayment options—find out:

- when repayment begins and the amount of the monthly payments
- the number of years it'll take to pay off the loan
- whether you'll be eligible for periods of reduced payment or temporary suspended payment if you go back to school or experience economic hardship
- about income-based repayment options or possibilities for loan forgiveness

Payment responsibility & cancellation

Some families want only the student to take out the loan; others may prefer that the parent take on the debt. Who's responsible for paying which loan?

- **The student is the borrower** for federal Direct Subsidized and Unsubsidized loans. These loans are in the student's name and only the student is obligated to repay these loans. Parents are not responsible for repaying their children's federal student loans.
- **Both the student and a credit-worthy cosigner are the borrowers** for VSAC's student loan and most student loans from private loan lenders. A cosigner shares responsibility with the student borrower for repaying the loan if the student isn't able to make the loan payments.
- **The parent is the only borrower** for federal Direct PLUS loans for parents, for VSAC's parent loan, and most parent loans from private loan lenders. These loans are in the parent's name and cannot be transferred to the student.

Ask these questions:

- If a cosigner is needed, can that cosigner be released after meeting certain criteria or other conditions? If so, under what conditions?
- Will the debt be cancelled if the borrower or student dies or becomes permanently disabled?

KNOW MORE BORROW LESS

Know before you sign!

- **Look for no or low origination fees and watch for hidden costs.**
- **Ask for a full fee schedule up front.**
- **Never sign without knowing what you might pay and determining all possible interest rates.**

Interest & Repayment

Interest is what you pay to a lender in exchange for borrowing its money; in other words, it's the price you pay over time for using someone else's money up front.

The impact interest has on your loans:

	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

Students typically borrow each year, and interest will accumulate while you're in school. Before you enter repayment, all of your loans will be totaled and the balance recalculated to include accumulated interest. This is shown in the first chart.

The second chart is what you'll pay over a 10-year repayment period.

- the original amount you borrowed—**$27,000**
- interest that accumulated while you're in school—**$3,345**
- interest that accumulates over ten years while you repay your loan—**$8,367**

Borrow only what you need

The amounts borrowed in the example above show the maximum allowed by the U.S. Department of Education. It's tempting—and easy in the short term—to borrow the maximum you're allowed to borrow each year, but don't think of loans as free money; you'll need to plan to repay every dollar you borrow, with interest. You're not obligated to borrow the entire amount shown in your financial aid offer; nor must you borrow as much as you're eligible for each year. Think carefully about how much you really need.

KNOW MORE BORROW LESS

If you don't get the advertised rate you expected, you can stop your application and shop for a better rate.

The multiple credit checks shouldn't affect your credit rating. Credit bureaus expect borrowers to "rate shop" for a particular type of loan, so they consider multiple inquiries for a similar loan type within a certain timeframe (30–45 days is a good rule of thumb) to be a single inquiry against your credit score.

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.ed.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 **www.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.

KNOW MORE BORROW LESS

For one year of college you may have one or two types of federal loans, a loan from the college, and a loan from another lender, like VSAC—and that's just for one year.

Don't wait until you graduate before adding up your loans. If you do, you may find that you've borrowed more than you can afford to repay. Know what you owe.

Federal Direct PLUS loans for parents

Repayment usually begins immediately (when loan is disbursed). Your loan servicer will place you on a standard repayment plan (with a fixed monthly payment over 10 years). You may have options to extend or defer payment. Visit **https://studentaid.gov/PLUS** for details.

Non-federal loans for students and parents

Terms and repayment options vary widely for each lender. Once repayment begins, regular monthly payments are expected, although short postponement periods may be available during financial hardship. Check with each lender for specific terms and repayment options.

For example, with VSAC's student and parent loans, you choose your repayment plan when you apply, and your interest rate is determined by the repayment plan you select.

Longer repayment means higher repayment

While it may be tempting to defer payment or lower your payments initially, doing so means that you'll pay substantially more and pay over a longer period of time.

Let's say you borrow $27,000 for four years of college. You could choose to defer, make the standard payment, or pay a little extra each month. Here's what that would look like:

	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

Stay in touch with your lender

Who are you sending your payments to? It's your responsibility to keep in touch with them; you're responsible for making timely payments even if you don't receive statements.

KNOW MORE BORROW LESS

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 amount due. An additional $20–$30 a month will cut the term of your loan significantly and reduce the interest you pay.

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 of these companies may even include your loan balance information in their communications.

Education debt relief scammers are believed to have used deception and false promises of relief to take more than $95 million in illegal upfront fees from American consumers over the last few years.

Your education loans are from the U.S. Department of Education, but these companies aren't connected with the U.S. Department of Education. Nevertheless, scam companies may claim to work with the Department or claim to be consumer advocacy groups.

A company may be trying to scam you if they:

- require you to pay up-front or monthly fees for help.
- promise immediate and total loan forgiveness or cancellation.
- ask for your FSA ID.
- ask you to sign and submit an authorization form or a power of attorney.
- claim that their offer is limited and encourage you to act immediately.
- send communications that contain spelling and grammatical errors.

Fast student loan forgiveness doesn't exist. Only scammers make that promise.				
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.

KNOW MORE BORROW LESS

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.

Minimizing Education Debt

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 the "sticker price" of a school may not accurately tell you whether the school is affordable.

The "net price" will be more helpful. This is the amount that a student pays to attend a school for one year, after subtracting grants and scholarships. Using net price calculators early in the college search process can help you find an affordable college for your situation and keep costs down. Find net price calculators at **https://collegescorecard.ed.gov**.

Before you borrow

- **Apply for all available grants and scholarships**.
- **Plan to use savings and current income**. Explore tuition payment plans; by spreading payments out over the course of the academic year, you may be able to minimize borrowing.
- **Consider cutting expenses**. How much can both student and parent economize? Where might you both be able to cut expenses during the college years?
- **Calculate your payments**. In planning ahead, try to estimate the full cost of attendance for the number of years you'll be in school. Once you have an idea of the total you'll need to borrow, the following online tools can help you estimate monthly payments so you can keep your borrowing to a manageable level:

  STUDENTS:

  www.vsac.org/calculator estimates monthly loan payments based on the interest rate of each loan. Ideally, student loan payments should consume no more than 10–15% of a new graduate's starting income.

  https://mappingyourfuture.org/paying/debtwizard estimates what you might be able to afford to borrow based on expected future earnings, and to learn about the salaries you may need to earn in order to afford your loan payments.

KNOW MORE BORROW LESS

Loans may have a 10- or 15-year repayment term (or even longer), but a longer term may mean more interest and a higher cost in the end.

However, there are no prepayment penalties on federal or non-federal student loans, so you can make extra payments at any time. Paying extra on your loans with the highest interest rate will save you the most money.

PARENTS:

https://bigfuture.collegeboard.org/pay-for-college/loans/parent-debt-calculator estimates the amount of education debt you can reasonably afford.

When it's time to borrow

- **Borrow less than the limit.** It's tempting—and easy in the short term—to borrow the loan you're offered or to borrow the maximum you're allowed to borrow each year, but don't think of loans as free money; you'll need to plan to repay every dollar you borrow, with interest.
- **Compare your options before signing on a loan.** This can save you money on payments that may be with you for 10 or 15 years. Go to **www.vsac.org/compare** to explore your options and learn how to compare loans.

After you borrow

- **Pay the interest while the student is in school.** Aside from borrowing as little as possible and finding good loan terms, the best way to keep student debt from growing is to try to pay the interest on loans while the student is in school.

  On unsubsidized Direct student loans, the interest accumulates even while a student is enrolled in school. This is also true of most education loans, except for federal Direct subsidized loans.

  If you don't pay interest on your loans in school, your interest will "capitalize" and be added to your loan balance, which will significantly increase your balance. Future interest calculations will be based on this new (and larger) balance, which will mean higher interest charges during your repayment.

Other ways to reduce the interest you pay

DO:

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

DON'T:

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

Know More. Borrow Less. Questions? Call VSAC.

Our financial aid experts will walk you through your loan terms, counsel you on repayment plans, and much more—*for free*. Call us at 800-226-1029.

Education Loan Programs

Programs	Who is eligible to apply?	How much are awards?
Federal Direct Loan (subsidized and unsubsidized)	• Undergraduate and graduate* students enrolled or accepted for enrollment at least half time in eligible programs at eligible institutions. **Graduate students are not eligible for subsidized loans.*	• Combined subsidized and unsubsidized base limits for all students: – $5,500 first year – $6,500 second year – $7,500 third, fourth, and fifth years – $8,500/year graduate (unsubsidized only) Independent undergrads and some dependent undergrads may qualify for an additional amount up to $5,000 in unsubsidized loans, depending on year in school. Graduate students may qualify for up to $20,500/year in unsubsidized loans. Cumulative limits: – Dependent: $31,000 – Independent: $57,500 – Graduate: $138,500 • Fees are deducted from loan proceeds at time of disbursement.
Federal Direct PLUS Loan (for **parents** of undergraduate students)	• Parent or stepparent* of dependent undergraduate students enrolled or accepted for enrollment at least half time in an eligible program. ** If stepparent information is used to calculate expected family contribution*	• Up to cost of education minus financial aid. • Fees are deducted from loan proceeds at time of disbursement.
Federal Direct PLUS Loan (for **graduate & professional students**)	• Graduate and professional students enrolled or accepted for enrollment at least half time in eligible programs. • Must apply for maximum federal Direct unsubsidized loan first.	• Up to cost of education minus financial aid. • Fees are deducted from loan proceeds at time of disbursement.

VSAC education loans

VSAC's education loans are available for students and for parents. A credit review is required. Terms may be more favorable than the term for other loans, depending on your situation. For details, go to **www.vsac.org/loans**. For a loan comparison, visit **www.vsac.org/compare**.

How are they awarded?	How do I apply?
• Subsidized Direct loans are based upon financial need. Borrower is not charged interest while enrolled at least half time, or during grace period or deferment. • Unsubsidized Direct loans are based upon cost minus financial aid. Student is responsible for interest from disbursement date. • Repayment begins six months after student is no longer enrolled at least half time.	• Follow school procedure to request a federal Direct loan, and sign and submit a Federal Direct Loan Master Promissory Note. • Federal Direct loan funds cannot be disbursed by the college until the student completes entrance counseling at **https://studentaid.gov/h/complete-aid-process**. • For current rates and fees, go to **https://studentaid.gov/understand-aid/types/loans/interest-rates**.
• Credit approval required. • Repayment begins following final disbursement. May defer payment while dependent student is enrolled at least half time, and for six months following, upon request.	• Follow school procedure to request a federal PLUS loan, and sign and submit a Federal Direct PLUS Loan Application and Master Promissory Note.
• Credit approval required. • Repayment begins following final disbursement. May defer payment while enrolled at least half time and for six months following.	• Follow school procedure to request a federal PLUS loan, and sign and submit a Federal Direct PLUS Loan Application and Master Promissory Note.

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 obligation after specific criteria set by the lender is met.

Credit bureau or consumer reporting agency
An agency that gathers and stores credit information on a consumer's creditworthiness. If a credit report is needed for a loan application, a credit bureau produces a report based on the gathered data. If the application is accepted and a loan is disbursed, the lender also reports back to credit bureaus the amount an individual borrowed and whether the individual makes payments on time. The three largest bureaus are Equifax, Experian, and TransUnion.

CSS Profile®
An additional financial aid application (administered by the College Board) that some colleges require in order to determine eligibility for the college's grant or scholarship money.

Default
The status that results when a loan is not paid back as promised according to the terms and conditions of the credit agreement/promissory note. Upon default, loans are submitted to a guaranty agency, a collection agency, or the federal government for collection. The loan balance is due, in full, at the time of default.

Deferment
Entitlement to postpone payments when the borrower meets specific eligibility requirements set by the U.S. Department of Education.

Direct loans
Federal loans for students and PLUS loans for parents, obtained through a student's college and repaid to the federal government.

Direct Subsidized loans—loans for eligible undergraduate students who demonstrate financial need (as determined by the FAFSA). Interest does not accrue while you're in school, in grace period, or in deferment.

Direct Unsubsidized loans—loans made to eligible undergraduate, graduate, and professional students, regardless of financial need. Interest does accrue while you're in school, in grace period, or in deferment; unpaid interest is then added to the principal balance.

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 **www.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.

Principal balance

The amount of money still owed on a loan, not including accrued interest or future interest.

Private loans

Also known as alternative loans, these loans go by all sorts of brand names, depending on the lender. Families can use these loans to cover college costs that remain after having borrowed federal student loans. These loans are most often provided by nonprofit state agencies like VSAC, by your college, or by commercial lenders such as large national banks, online-only lenders, credit card companies, or credit unions.

Repayment disclosure statement

A fact sheet that shows the repayment terms of a loan. It is typically sent to a borrower when the loan is taken out and/or at the beginning of repayment.

Repayment period

The span of time during which a borrower must make regular payments of principal and interest. The repayment period begins either immediately following the final disbursement of the loan funds or following the loan's grace period, whichever is applicable.

Scholarships

Gifts of money that do not need to be repaid. They're provided by any group, individual, or organization that wants to offer financial support to students who are furthering their education or training. You must apply for scholarships and compete with other students who apply. By taking time to apply for scholarships, you may be able to reduce your out-of-pocket costs for college.

Teaser interest rate

An advertised interest rate that's based on an exceptionally high credit rating. Either few borrowers actually receive this rate, or it is a very low variable rate that increases, with no maximum.

Variable interest rate

An interest rate that changes periodically in response to market conditions.

Work–study

Jobs offered by colleges, usually in offices or departments on campus, to provide students with income up to a specific dollar amount each semester.

VSAC education loans

VSAC's fixed-rate education loans available for parents and students to cover additional education costs not covered by federal Direct student loans. Compare our rates with federal PLUS.

VSAC's parent loan—a fixed-rate loan for parents helping to finance their student's undergraduate or graduate education. Parent is the borrower.

VSAC's student loan—a fixed-rate loan for students who need additional financing for undergraduate or graduate education. Student is the borrower, with a cosigner (often a parent). Cosigner release may be available to qualified borrowers.

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** at **vsac.org/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

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

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