STUDENT LOAN OPTIONS FOR UNDERGRAD STUDENTS

The average college student graduates college with more than $28,000 in student loans. To get the best return on that investment, you'll want to limit your college loans and borrowing costs. This means choosing low-cost loans with the right features and terms to meet your needs. Remember, the best loan is no loan at all.

Make sure you have completed the FAFSA by the college's priority filing deadline to ensure you acquire any grants or scholarships you may be entitled to.

If you are working, check with your employer to see if assistance is available to pay for college.

If your financial situation has changed, i.e., a reduction in salary or loss of job, contact the financial aid office at the college immediately and see if you can qualify for a special circumstance reconsideration on your financial aid award package. EPR can assist you in the best way to approach a special circumstance reconsideration request.

As far as loans, your options can be broken down into two basic categories: Government Loans or Private Loans.

Government Loans

All students, regardless of income are allowed to borrow for college directly from the Federal Government for college. The only requirement is that the student complete the FAFSA. Undergraduate students may borrow a maximum of $27,000 over 4 years, or $31,000 if attending more than 4 years. Once the $31,000 is consumed, no more money is available unless the student continues to grad school or becomes an independent student (more on that later). The breakdown is as follows:

Year 1:	$5,500
Year 2:	$6,500
Year 3:	$7,500
Year 4:	$7,500
Year 5:	$4,000

Interest rates for loans for 2019-2020 school year (subsidized or unsubsidized): 4.53%. Independent students will pay a bit higher, at 6.08% for any amounts above the amounts listed above.

If loans are necessary, it is almost always better to take advantage of Federal Direct student loans before exploring the private market due to lower interest rates and friendlier terms.

Loans are disbursed as either subsidized or unsubsidized. Since 2013, both subsidized and unsubsidized loans carry the same interest rate for undergraduate students (except independents). Both types also do not require making any payments until the student has stopped going to school at least 6 credit hours for 6 months or more. The difference between the two is that while the student is in school at least part time (6 credit hours), the government will pay any interest charged for subsidized loans, while unsubsidized loans will accrue interest as soon as the loan is dispersed.

INDEPENDENT STUDENTS

Students who are considered independent may borrow an additional amount above the normal threshold for undergraduate students. It is very difficult to be classified as an independent student. Claiming, or not claiming, a student on a tax return has no impact, nor does it matter whether a student lives at home or is financially independent living on his/her own. The most common ways for a student to be classified as independent is to turn 23 years old in the year BEFORE the fall semester of school, getting married, caring for a child, serve in the military or officially classified as homeless or at risk of being homeless. Here are the amounts that may be borrowed:

Year 1:	$9,500
Year 2:	$10,500
Year 3:	$12,500
Year 4:	$12,500
Year 5+:	$12,500 up to $57,500 total lifetime

PARENTS WHO ARE DENIED A PLUS LOAN

Adverse credit can restrict the parents' ability to borrow money from the Federal Government in the form of a parent PLUS loan. If a parent is denied a PLUS loan, the student will be allowed to borrow at the maximum amount allowed for that year as an independent student (see above). If the parents later qualify for a PLUS loan, the student limits will go back to standard undergraduate limits.

Securing Federal Direct Loans

1. Go to www.studentloans.gov and login with the student's FSA ID that was setup (the same login as for FAFSA).
2. Click on Loan Counseling then choose Entrance Counseling from the following page. Financial Awareness counseling is not required. When completing the Entrance Counseling, be sure to add the college the student is attending so they are notified of its completion. For Parent PLUS loans, the Entrance Counseling is not required.
3. Complete the Master Promissory Note in order for any student loans or parent loans to be disbursed.
4. Entrance Counseling and the Master Promissory Note only need to be done once for most schools. They will not need to be completed for any remaining years unless the student changes schools or enters graduate school. You will need to list the college that will be attended during the process to ensure the college is aware of the loan.
5. Go to the student account at the college to be attended and accept any loans offered under the financial aid section.

PRIVATE LOANS

Private loans may be required when the shortfall to pay for college exceeds the amount of loans available directly from the government. When shopping for private loans, there are certain things to which you should pay careful attention.

1. Origination fees and application fees. Origination fees can range from 0% to 4.05%. Generally, the higher the origination fee, the lower the credit requirements. If you have good credit you can search for loans with lower origination fees.
2. When collecting rate quotes from lenders, try to begin by using lenders who will use soft credit checks at the onset so your credit does not take a hit until you narrow your selection to the final lender. Remember that advertised rates are the lowest possible rate for those with the best credit. You may not qualify for the lowest rate.
3. Repayment Options. The best loans will allow you to choose from multiple repayment options to suit your budget, including the ability to defer payments while in school or until you find employment.
4. Interest rates can be fixed or variable. Fixed rates are generally higher, but remember that variable rates can increase over the life of the loan, so check the fine print to see how quickly interest rates can increase and the maximum possible rate that can be assigned. A fixed rate may provide more stability and prevent any unwanted surprises.
5. Look for discounts on the interest rates for setting up automatic EFT draft payments from your bank account. Some programs offer rewards for achieving good grades.
6. Cosigning. You may be able to reduce your interest rate by having a family member with good credit cosign on your loan. Some programs will allow the cosigner to be removed completely from the loan once 2-3 years of on-time payments are made. Many programs require a parent or other cosigner if the student is on the note, so check with the lender.

Private Loan Providers

Citizens Bank https://studentloans.citizensbank.com/

- Discounts for autopay as well as holders of another Citizens Bank account.
- Loan amounts up to the cost of attendance, for a maximum of $150,000.
- Cosigner release after 3 years of on-time payments.
- Multi-year approval to easily borrow in the future.
- No origination fee or prepayment penalty.
- Repayment options up to 15 years.

Sallie Mae www.salliemae.com

- Loan terms up to 15 years.
- Ability to borrow up to the full cost of attendance
- Full deferment available while in school.
- Optional interest only payments for 12 months after leaving school.
- Rate discount for autopay.

Common Bond www.commonbond.co

- Discount for autopay.
- Loan Origination Fee: 2%
- Full deferment option while in school.
- Requires a cosigner.
- Cosigner release after 2 years of on-time payments.
- Forbearance for financial hardship while in repayment mode.

Discover www.discover.com/student-loans/private.html

- Rewards for good grades
- Interest reduction for autopay.
- Deferment while in school at least 6 credit hours.
- Borrow up to the full cost of attendance.

Additional sources for student loans: Chase Bank, Wells Fargo, PNC Bank, Capital One. Note that Bank of America does not offer student loans.