

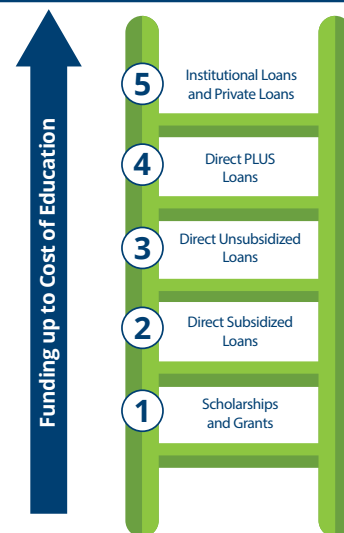
# Ladder of Smart Borrowing:

## For Undergrad Students 2020 - 2021 Academic Year

When it comes to paying for school, you have a lot of options. If grants and scholarships don't cover the cost, you may need to consider student loans.

Depending on your situation, some options make more sense than others.

Think of it like a ladder: **Start with options that cost the least, then work your way up.**



Type of Loans	Eligibility	Interest Rate <sup>1</sup>	Interest Subsidy	Loan Limits	Grace Period	Repayment Term
<b>Direct Subsidized Loans</b>	Loan offered through the U.S. Department of Education's Direct Loan Program for undergraduate students with demonstrated financial need per the FAFSA	2.75% fixed interest rate	Government does not charge interest during in-school, grace periods, and deferments <sup>2</sup>	Annual Limits: See following chart Aggregate loan limits apply	6-month grace period	Standard 10-year repayment term with other repayment plan options
<b>Direct Unsubsidized Loans</b>	Loan offered through the U.S. Department of Education's Direct Loan Program for both undergraduates and graduate or professional degree students. You are not required to show financial need in order to be eligible for a Direct Unsubsidized Loan	2.75% fixed interest rate	Borrower responsible for interest from the day funds are disbursed	Annual Limits: See following chart Aggregate loan limits apply	6-month grace period	Standard 10-year repayment term with other repayment plan options
<b>Direct Parent PLUS Loans</b>	Loan offered through the U.S. Department of Education's Direct Loan Program for parents to help cover education costs for a dependent undergraduate student	5.30% fixed interest rate	Borrower responsible for interest from the day funds are disbursed	Loan limits based on total cost of education minus the amount of financial aid	6-month post-enrollment deferment available upon request	Standard 10-year repayment term with other repayment plan options
<b>Institutional Loans</b>	Some schools provide specialty loans to students. These loans typically have favorable interest rates and terms, but eligibility, interest rates, grace periods, postponement options, and repayment terms may differ widely.					
<b>Private Loans</b>	Many banks and lenders offer private, credit based loans when other aid is not enough. Private loan eligibility, interest rates, grace periods, postponement options, and repayment terms differ from lender to lender.					

1. Effective for loans first disbursed on or after 07/01/2020.

2. The borrower is responsible for interest accrual during the grace period for Direct Subsidized Loans disbursed between 7/1/12 and 6/30/14.

## Direct Subsidized and Unsubsidized Loan Limits

Dependent Undergraduates <sup>1</sup>	Maximum Subsidized Loan <sup>2</sup>	Additional Unsubsidized	Combination Total
First Year	\$3,500	\$2,000	\$5,500
Second Year	\$4,500	\$2,000	\$6,500
Third Year and Beyond	\$5,500	\$2,000	\$7,500
Aggregate Limit	\$23,000	\$31,000 minus subsidized loan amount	\$31,000

Independent Undergraduates (and dependents whose parents are unable to borrow under the PLUS program)	Maximum Subsidized Loan <sup>2</sup>	Additional Unsubsidized	Combination Total
First Year	\$3,500	\$6,000	\$9,500
Second Year	\$4,500	\$6,000	\$10,500
Third Year and Beyond	\$5,500	\$7,000	\$12,500
Aggregate Limit	\$23,000	\$57,500 minus subsidized loan amount	\$57,500

1. All undergraduate annual loan limits are subject to proration, such as when the academic program is less than the statutory definition of an academic year or the student will complete the program in less than an academic year.

2. Direct Subsidized Loans are awarded based on need. If the annual loan limit is not offered in Direct Subsidized Loans, the remainder can be awarded in Direct Unsubsidized Loans, up to the annual limit.

## Frequently Asked Questions

### What's the difference between subsidized and unsubsidized loans?

The U.S. Department of Education does not charge interest on a Direct Subsidized Loan while you're in school at least half-time, during the first six months after you leave school, and during periods of deferment. The interest on a Direct Unsubsidized Loan accrues from the day funds are disbursed until the loan is paid in full. You are responsible for the interest that accrues on a Direct Unsubsidized Loan during all periods.

### What's the difference between a private loan and an alternative loan?

Private and alternative loans are synonymous with each other and are often referred to interchangeably. They are both non-federal student loans that require a credit check in order to be approved.

### Do I have to reapply for financial aid every year?

Yes. In order to receive federal student aid throughout your time in school, you are required to reapply using the FAFSA each award year. The first time you fill out the FAFSA will likely take a while, but each year after that should be easier because you are able to simply renew your application—meaning a lot of the information can be pre-populated.

### Do I have to reapply for private loans?

A new application must be submitted each award year. Contact your private loan lender for specific requirements.