

# My Education Loans

What to know before you borrow



## What's inside:

- Understanding Financial Aid Awards
- Loan Basics
- Comparing Education Loans
- Interest & Repayment
- Minimizing Education Debt
- Glossary of Education Loan Terms





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# My Education Loans

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 education or training after high school.

Congratulations on making the choice to pursue college or career training! It's a valuable investment you can make for your future. Seven out of 10 jobs in Vermont will require education or training after high school, and reports show that college graduates experience higher earnings over a lifetime, higher job satisfaction, and healthier lifestyles.

Still, when you think about covering college costs, there's a lot to consider. Most families take on student and parent loans to finance part of their higher education. In this guide, we'll break down the complex world of education loans so you can understand your options and be more confident as you make choices that will help you manage your education debt successfully.

## Here's what we'll cover:

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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](https://vsac.org)

### **Financial aid applications & details online**

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

### **Grants & scholarships**

- 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 for Vermont residents

### **Education loans for students and parents**

- for out-of-state students attending Vermont colleges
- for Vermont residents attending eligible colleges in Vermont, across the U.S., or abroad

VSAC loan rates save you money. And by choosing a loan from VSAC, you're supporting career and college outreach that creates education opportunities for all Vermonters and contributes to the future economic vitality of the state.

### **Vermont's 529 college savings plan at [vheip.org](https://vheip.org)**

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

### **Free career & education planning resources**

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

[vsac.org](https://vsac.org) • [info@vsac.org](mailto:info@vsac.org)

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# Understanding Financial Aid Awards

Once you've applied for financial aid, you'll receive a financial aid award from each college that's accepted you (see example on page 3). These financial aid awards 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'll need to repay, with interest.*

Visit [www.vsac.org/awardsamples](http://www.vsac.org/awardsamples) to view examples of financial aid awards and decode some of the "financial aid speak." Then use VSAC's online award letter comparison tool ([www.vsac.org/loans](http://www.vsac.org/loans)) to crunch the numbers in your award notifications.

- 1. Add up your total college costs** — not just the tuition and fees, but 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 award, 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 received 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 awards.
- 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.

Before accepting loans to pay part of the college costs, compare all loans for which you're eligible so you can choose those that best meet your family's needs.

**The bottom line:** Ask yourself, "Which school will give me the best educational experience with the lowest debt?"

## TIP

**In your financial aid award, accept the scholarships and grants you're eligible for (be sure you understand any conditions and/or requirements).**

**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.**

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# Loan Basics

## TIP

### Sub or Unsub?

**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 for a Direct Subsidized loan.**

**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).**

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

### Federal Education Loans

The U.S. Department of Education offers various federal education loans to families for undergraduate education.

For students:

- **Federal Perkins loans** — for students with exceptional financial need. These loans are made through the college.
- **Federal Direct loans** — for students enrolled in college or a training program at least half-time. These include Direct Subsidized and Direct Unsubsidized loans.

For parents:

- **Federal Direct PLUS parent loans** — 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 Loans

These loans, often called alternative loans or private loans, go by all sorts of brand names, depending on the lender. Families can use these supplemental loans to cover college costs that remain after students borrow federal Perkins and Direct loans. These loans are available from:

- VSAC and other nonprofit state agencies
- your college
- commercial lenders like banks and credit unions

Alternative loans are NOT created equal. Some alternative loans have gotten a bad rap in recent years due to predatory lending practices; however, others like those from nonprofit state agencies such as VSAC can offer families better rates than the federal PLUS parent loan.

After you've applied for financial aid, each college will contact you with details regarding its individual financial aid award, which is tailored to your family's particular circumstances. These awards will differ from school to school, so you'll need to compare offers carefully.

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

SAMPLE

College Financial Aid Award Notification  
2019–2020 Academic Year

Terry Student  
Any Old Road  
Hometown, VT 05555

111-11-1111  
March 15, 2019

Dear Terry:

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

Award:	Fall	Spring	Total	A	D
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	2,750	2,750	5,500	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
	<b>\$14,029</b>	<b>\$14,030</b>	<b>\$28,059</b>		

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

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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

Accept federal Direct Subsidized and Unsubsidized loans first; they offer flexible repayment options and other benefits.

There may be more favorable loan options available to you than the federal Direct PLUS parent loan. See the next chapter to learn how to research and compare rates and terms.

Award notifications may need to be signed and dated by the applicant and returned by a certain deadline. Follow all instructions!

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

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# Comparing Education Loans

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

## TIP

**All loans are borrowed money that will need to be repaid with interest, so it's important to compare all of your options and understand costs and terms.**

### Step 1: Accept These Loans

Federal student loans 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).

Before considering any other types of education loans, you should first accept the maximum in federal student loans:

- Perkins loans (if offered)
- Direct Subsidized student loans (if offered)
- Direct Unsubsidized student loans

#### Direct Subsidized & Unsubsidized student loan limits for undergraduate dependent students\*

<b>First year</b> (up to \$3,500 may be in subsidized loans)	<b>\$5,500</b>
<b>Second year</b> (up to \$4,500 may be in subsidized loans)	<b>\$6,500</b>
<b>Remaining years</b> (up to \$5,500 may be in subsidized loans)	<b>\$7,500</b>
<b>Cumulative</b> (undergraduate)	<b>\$31,000</b>

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



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

## Step 2: Compare These Loans

### Federal PLUS loans for parents

Some schools will include a PLUS loan in a student's financial aid notification; others won't. Parents, *it's your choice* whether or not to borrow some or all of the amount offered. These federal loans have flexible repayment options, such as deferment during periods of hardship, but may also have higher interest rates.

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.

You should shop around for a loan with the best rate and other benefits for your situation.

### Non-federal loans

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

- **Loans from nonprofit state agencies** — Organizations like VSAC often offer student and parent loans with lower rates than federal PLUS. Most, like VSAC, offer in-state service and support. Visit [www.vsac.org/compare](http://www.vsac.org/compare) for a comparison between VSAC's fixed-rate Vermont Advantage education loans and the federal PLUS.
- **Loans from your college** — Some colleges offer their own loan programs, which they may list as part of your financial aid award. You can choose to accept or decline all or part of these loans. Be sure to compare these loans with the other loans you're considering.
- **Loans from commercial lenders** — 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.

### TIP

**Beware of loans offering a teaser interest rate that few borrowers qualify for. People often apply for a loan thinking that they'll receive a low advertised interest rate and find out only 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.**

## TIP

Some education loans offer a variable interest rate, which changes over time and can increase quickly. Others—like federal student loans and VSAC's Vermont Advantage loans—offer a fixed interest rate that stays the same over the life of the loan. While variable rates may seem great at first, they can end up costing a lot more over time.

## What to Consider

### Interest rates

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

- **For federal loans, the government sets the fixed interest rates for new loans each year.** All borrowers pay the same rate according to the loan type.
- **Nonprofit lenders like VSAC often feature 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.

### Fees

Loans can have all sorts of fees, both when the loan is made and when repayment starts, and you may end up being charged higher fees than the ones you saw advertised. With some lenders, you won't get full disclosure 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

What are the rules for repaying the loan? Find out:

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

## Payment responsibility & cancellation

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

- **The student is the borrower** for federal Perkins, and 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 Vermont Advantage Student Loan and most student loans from alternative 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 Vermont Advantage Parent Loan, and most parent loans from alternative 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?

### The bottom line:

- **It's your choice whether to borrow some or all** of the loan amounts offered in the student's financial aid award.
- Federal PLUS loans have flexible repayment options, such as deferment during periods of hardship, **but may also have higher interest rates.**
- Non-federal loans ("alternative" or "private" loans) don't have the same terms as federal loans. **Each lender sets its own terms.**

## TIP

### Know Before You Sign

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

# Interest & Repayment

## TIP

Your school will provide instructions for your loan entrance counseling to help you understand what it means to take out a federal student loan.

You must complete this counseling before your school can provide loan funds.

The session will cover:

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

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.

Here's an example of the impact that interest will have on your loans:

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

*This example uses a fixed interest rate of 5.05%, with monthly payments made on time. If your interest rate is higher or you take longer to pay off your loan, the total you pay will also be higher.*

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

In this example, the total amount you pay covers:

- 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

## 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, cancelled, or discharged. Visit <https://studentaid.ed.gov/> for information on loan cancellation and forgiveness.

Plan for repaying your loans so you won't be surprised later on. Go to [www.vsaac.org/calculator](http://www.vsaac.org/calculator) to estimate what your total monthly payments will be on all your loans.

## When Repayment Starts

### For federal Direct student loans

For federal Direct student loans, repayment starts 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 may choose an income-driven repayment plan such as REPAYE (Revised Pay As You Earn) or other income-driven repayment plans that may lower your monthly federal student loan payments. However, whenever you make lower payments or extend your repayment period, you'll pay more in interest over time—often much more. In addition, 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.

Another option for federal Direct student loans includes 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.

## TIP

**You'll pay less over the life of your loan if you pay as you go 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.**

**TIP****Don't Be Scammed**

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.

Don't fall for debt relief scams. See page 12 to find out how to spot them and avoid them.

**For federal Direct parent loans**

For federal Direct PLUS loans, repayment usually begins immediately. 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.

**For non-federal student and parent loans**

Once repayment begins, regular monthly payments are expected, although short postponement periods may be available during financial hardship. You'll need to check each lender for specific terms and repayment options. These will vary widely.

For instance, with VSAC's Vermont Advantage 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
<b>Monthly payment</b>	\$355 for 10 years after 2-year deferment	\$323	\$350
<b>Total paid</b>	\$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.

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# Minimizing Education Debt

## Borrow Only What You Need

It's tempting—and easy in the short term—to borrow whatever type of loan you're offered or the maximum you're eligible 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.

Ideally, student loan payments should consume no more than 15 percent of a new graduate's starting income. Use the loan payment calculator at [www.vsac.org/calculator](http://www.vsac.org/calculator) to estimate monthly payments.

To reduce the amount you need to borrow, consider:

- **cutting expenses.** How much can you economize while you're in school?
- **taking advantage of tuition payment plans.** By spreading payments out over the course of the academic year, you may be able to minimize what you need to borrow.
- **applying for scholarships.** For resources and application details, visit [www.vsac.org/scholarships](http://www.vsac.org/scholarships).

## Pay Interest While in School

For most loans, interest accumulates while you're in school, even though you're not usually required to make payments while you're enrolled. If you delay paying the interest, your interest will "capitalize," meaning that the unpaid interest will be added to your loan balance, and future repayment calculations will be based on this larger balance.

Simply put, when your interest capitalizes, you begin paying interest on your interest. You can avoid capitalization by making interest payments while you're in school.

Find more tips at [www.vsac.org/pay](http://www.vsac.org/pay).

### TIP

**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.**

## TIP

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

### Remember:

- **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.**

## 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.

However, 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.

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 U.S. Department of Education or claim to be consumer advocacy groups.

Here are some signs to help you identify a scam company:

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

**Remember:** The federal Department of Education and its federal loan servicers will never charge fees to help you with your student loans. 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.

Call VSAC if you have questions. Our financial aid experts will walk you through your loan terms, counsel you on repayment plans, and much more—for free.



# 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.

### **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 award notification**

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.vvac.org](http://www.vvac.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.

## Perkins loans

Loans for undergraduates and graduate students with exceptional financial need. The school is the lender and will determine your eligibility and the amount you'll receive. Interest does not accrue while the student is in school.

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

## Vermont Advantage 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.

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

**Vermont Advantage 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.

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
- **Vermont Advantage student and parent loans** for Vermont residents attending college in Vermont, across the U.S., or abroad, and for out-of-state students attending Vermont colleges. Compare our rates with the federal PLUS.
- **Online applications at [vsac.org](https://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](https://vsac.org/resources)

## Contact us

ONLINE: [vsac.org](https://vsac.org)

CALL: **800-226-1029**

E-MAIL: [info@vsac.org](mailto: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

VSAC does not discriminate in employment or the provision of services on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, ancestry, place of birth, age, veteran or military status, genetic information, disability, or any other legally protected status. Please contact VSAC at 800-642-3177 or 655-9602 in the Burlington area (TDD for hearing impaired, 800-281-3341 or 654-3766) if auxiliary aids or services are needed for application or participation in VSAC services.

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