

ORS Upward Bound & UBMS

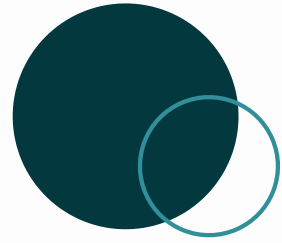
Leave me a loan!

A deeper look into understanding loans and how they really work

WHAT ARE LOANS?

LOAN - AN AMOUNT OF MONEY THAT IS BORROWED, OFTEN FROM A BANK, AND HAS TO BE PAID BACK, USUALLY TOGETHER WITH AN EXTRA AMOUNT OF MONEY THAT YOU HAVE TO PAY AS A CHARGE FOR BORROWING





LOAN LINGO

Terms often associated with loans

PRINCIPAL

The amount of money that someone borrows

INTEREST

The money that a borrower owes the lender on top of the principal

REPAYMENT PERIOD

The time period in which a borrower has to pay the loan back

REPAYMENT PLANS

Different types of ways a borrower can repay a loan

DEFERMENT PERIOD

The deferment period is a time during which a borrower does not have to pay interest or repay the principal on a loan

FORBEARANCE

Allows a borrower to temporarily stop making loan payments

FEDERAL STUDENT LOANS

UNSUBSIDIZED

- Automatically offered when you apply for FAFSA*
- Payments are deferred until you graduate (Also has a 6 month grace period where you don't have to make payments)
- Loan accrues (gathers) interest **INSTANTLY!**

SUBSIDIZED

- Automatically offered when you apply for FAFSA*
- Payments are deferred until you graduate (Also has a 6 month grace period where you don't have to make payments)
- Loan accrues interest **AFTER** the grace period!

*JUST BECAUSE YOU ARE OFFERED THE LOAN DOESN'T MEAN YOU HAVE TO ACCEPT IT!

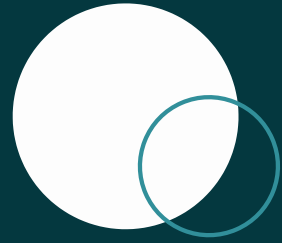
FEDERAL STUDENT LOANS

DIRECT PLUS LOANS

- Offered to graduate or professional students and to parents of undergraduate students
- There is no deferment period. The borrower must start making payments immediately
- Based on the credit score of the borrower

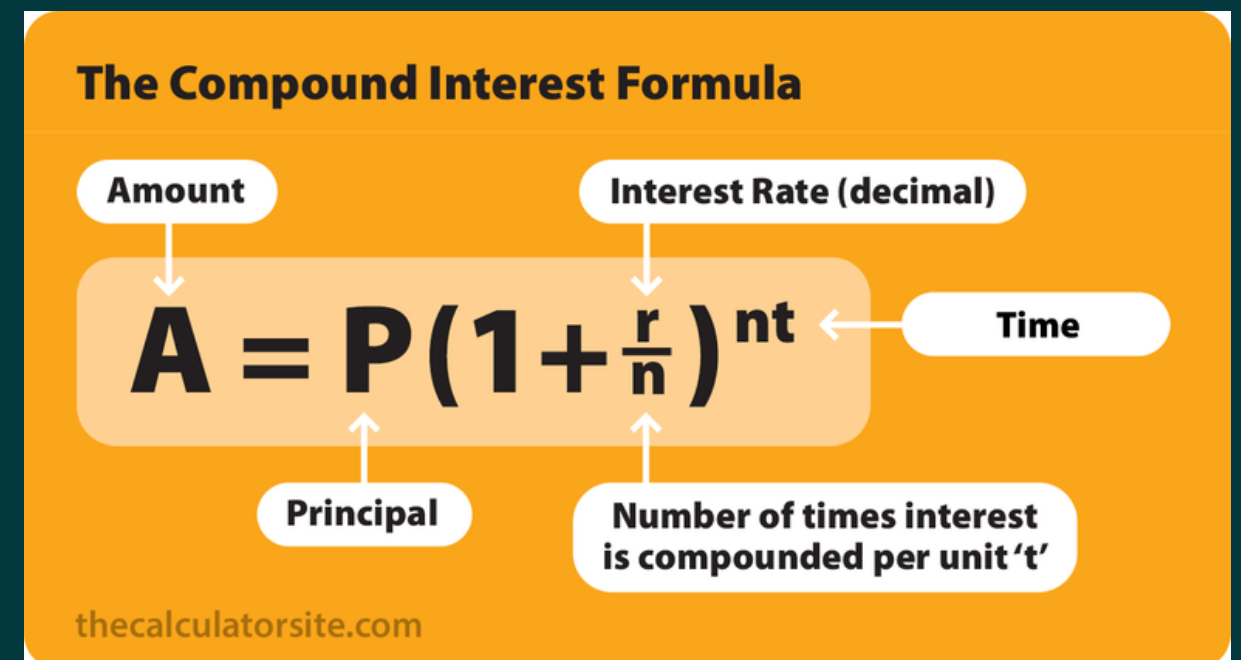
PRIVATE STUDENT LOANS

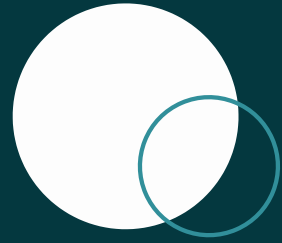
- Offered by banks or other financial institutions
- Generally used as a supplement to, not a replacement of, federal student loans
- Based on the credit score of the borrower
- Often times has a higher interest rate than federal student loans



Subsidized Vs. Unsubsidized

Example: A student takes out a loan at the beginning of their freshman year for \$10,000 with 5% interest. (a) When they have to start making payments, after their 4 year (45 month) college career plus the 6 month grace period, how much will the loan balance be if the loan was subsidized? (b) What if the loan was unsubsidized?

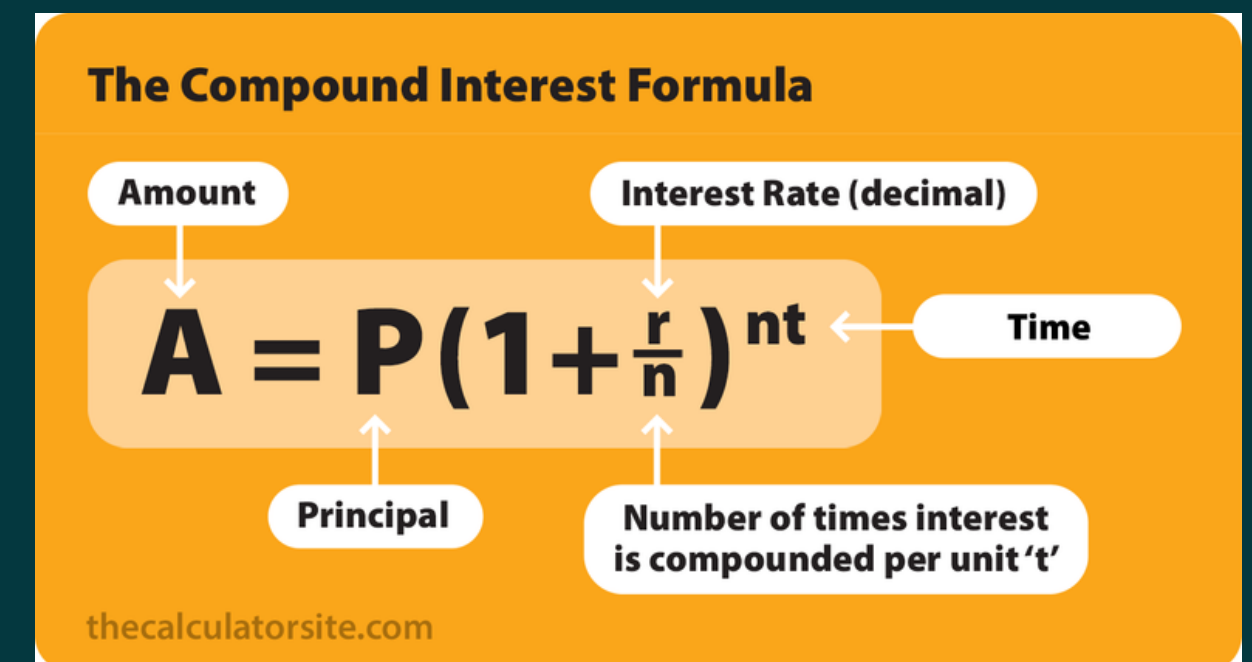


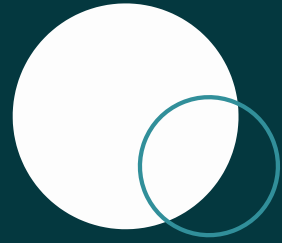


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(a) Subsidized Loan Amount = \$10,000





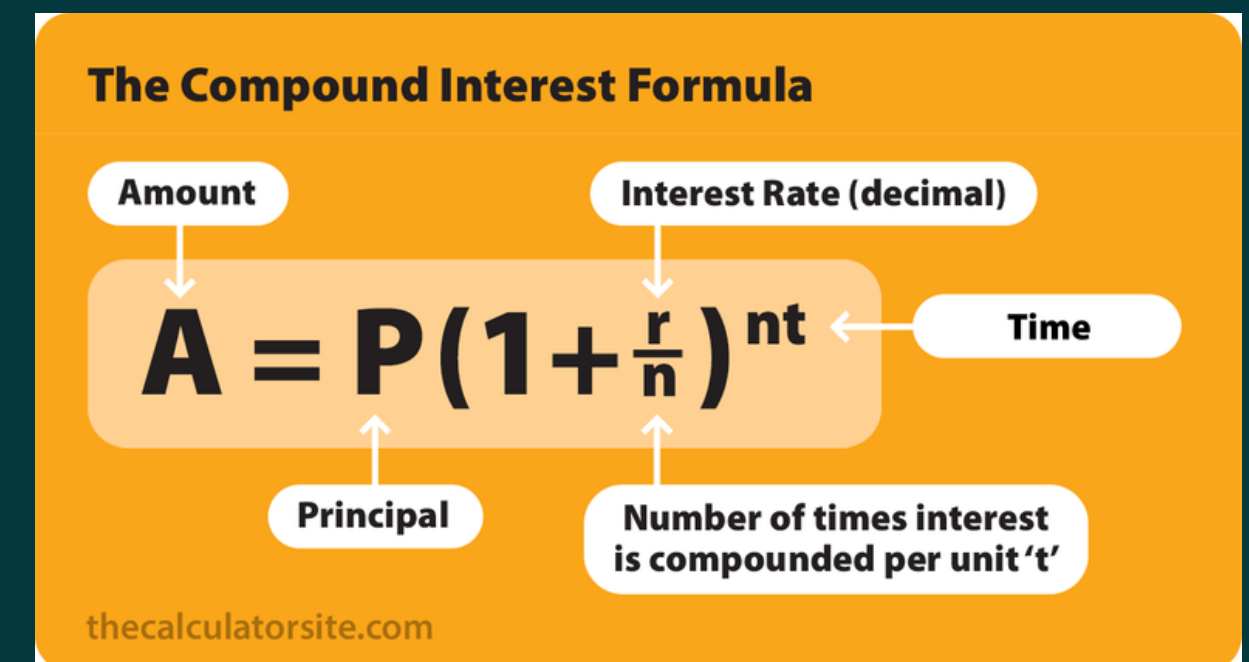
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(a) Subsidized Loan Amount = \$10,000

(b) Unsubsidized Loan Amount = \$12,367

That's \$2,367 more that the student would have to pay!

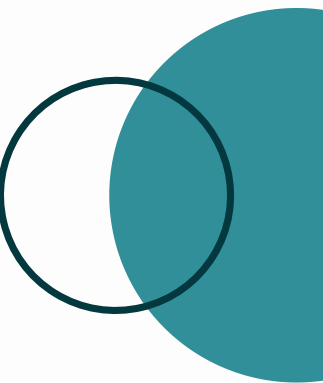


How much will you have to pay back and how long will it take?

The average student loan debt for recent graduates with a bachelor's degree is \$29,000, and the average student loan interest rate for undergraduates is 4.53%.

Repayment Plan	10-year (most common)
Monthly Payment	\$305
Total Cost of Repayment	\$36,555*

*That's \$7,555 more than what was borrowed!



DEBT MANAGMENT

Ways to reduce your financial burden

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1.) Best Fit College

DEBT MANAGMENT

Ways to reduce your financial burden

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2.) **Only take out what you NEED!**

DEBT MANAGMENT

Ways to reduce your financial burden

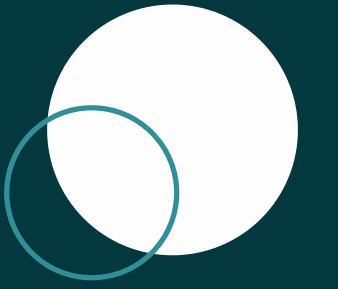
- 1.) **Best Fit College**
- 2.) **Only take out what you NEED!**
- 3.) **Work, work, work, work!**

DEBT MANAGMENT

Ways to reduce your financial burden

- 1.) **Best Fit College**
- 2.) **Only take out what you NEED!**
- 3.) **Work, work, work, work!**
- 4.) **Start paying your loans while in school!**

IS GETTING A STUDENT LOAN A SMART INVESTMENT?



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It Depends!

**Large variables to
consider:**

- 1. Loan amount**
- 2. Expected salary**
- 3. Job outlook**

CONCLUSION & APPLICATION

