

Loans: What does it all mean?

While Northland does not encourage the use of loans, we recognize that it is necessary for some. We will work with students individually to work out payment options, understanding the best loan options for the individual, and the timing of when to take out the loans. It is essential to us that a student understands his loan completely before receiving any funds. We also want to minimize the student's total debt at the end of his education. Going into graduation with \$20,000 in debt is overwhelming. We strongly encourage a student to graduate with less than \$10,000 in total student loan debt.

Look carefully at the options below to understand the various loan types:

Loan Type	Subsidized	Lender	Borrower	Interest Rate
Stafford Subsidized	Yes	Various Banks; Federal Government	Student	Currently 5.6% **this interest rate is on a 5 year cycle
Stafford Unsubsidized	No	Various Banks; Federal Government	Student	6.8%
PLUS – Parent Loan for Undergrad Student	No	Various Banks	Parent	8.5%
Private or Alternative	No	Various Banks; State Programs	Student	Varies depending on credit score and loan product (range 8% to 12%)

Subsidized loans refer to the interest accrual on the loan. All subsidized loan options are paid by the federal government while the student is enrolled in school. These loans are not based on credit score, but the student's completion of the Free Application for Federal Student Aid (FAFSA) and the resulting calculated Expected Family Contribution (EFC). If your EFC is greater than the cost of attendance at the Northland, then you are not eligible to receive a subsidized loan. The loan options available to you would be unsubsidized, PLUS, or private.

Unsubsidized loans are most known for accruing interest while the student is still attending college. If a student borrows \$2,000 in an unsubsidized loan, they will receive \$1,000 for the fall semester and \$1,000 for the spring semester. Thirty days after the spring payment, interest accrual begins. You will have interest options:

- **CAPITALIZE THE INTEREST:** This is when the interest accrued each month is added to the principle balance of the loan. On average, this would increase the loan principle by \$150 per year.
- **PAY INTEREST ONLY:** This is the number recommendation by Northland. This allows the student to pay only the interest due each month. If a student borrows \$2,000, this is about \$12 per month of interest.

- **PAY REGULAR LOAN PAYMENTS:** Upon repayment a student is required to pay a minimum \$50 per month regardless of their principle balance. In this case, the student would begin to pay \$50 per month on the unsubsidized loan.

Private loans will always be a last resort for a student. These loans come with a variable interest rate dependent on the student’s credit score. A low credit score results in a higher interest rate. The lender is required to notify a student 30 days in advance of any interest rate changes. However, if you are in repayment 30 days does not allow a great deal of time to reduce your loan obligation. Be aware of your loan contract terms. These are stated clearly in your Master Promissory Note (MPN). This is your contractual agreement to repay the lender.

PLUS loans are Parent Loans for Undergrad Students. These are based on a parent’s credit score. If a parent is denied a PLUS loan from the lender, there is opportunity for appeal. Please work through the lender for the appeal process. If the loan is denied, the student is eligible for additional unsubsidized loan money. Please contact the Financial Aid Office to discuss this in further detail to see if this is the option that is right for you.

Interest rates are on a 5 year cycle. Please see the chart below to plan your borrowing.

Year	Interest Rate Stafford Sub	Interest Rate Stafford Unsub
2007-2008	6.8%	6.8%
2008-2009	6.0%	6.8%
2009-2010	5.6%	6.8%
2010-2011	4.5%	6.8%
2011-2012	3.4%	6.8%
2012-2013	6.8%	6.8%

So what do I do with this information?

1. Talk with the Financial Aid Office to see what options best fits you.
2. Educate yourself as to what options are available and how they impact you.
3. Find ways to avoid loans by using grants, scholarships, work study, etc.
4. If we can avoid debt entirely, that is the best outcome for all!