
Getting to Know Your Student Loans

by Colby Moergeli, Financial Planning Associate

College costs may seem out of reach for many students. While student loans can help make higher education goals attainable, it's important to understand the details involved. There are two types of student loans, Federal Student Loans issued by the government, and Private Student Loans issued by banks, non-governmental organizations, and financial institutions.

Federal Student Loans - Interest rates on federal student loans are set each year by congress, these rates are often lower than private student loan providers. Eligibility for repayment plans based on income, and there are often certain circumstances where your loans are forgiven entirely. To apply for federal student loans, you must complete the Free Application for Federal Student Aid (FAFSA). The FAFSA application should be completed as early as October 1st of the year before you plan to attend college. If you are going to start college in the fall of 2025, you should begin the FAFSA process in October 2024. The application process will close on June 30th. There is a 6-month grace period after graduation before repayment begins.

There are four types of federal student loans for college:

1. Direct Subsidized Loan - Available to undergraduate students, borrowers will not have to pay interest on the amount while enrolled in college at least half-time.
2. Direct Unsubsidized Loan - Available to undergraduate and graduate students. Borrowers will pay the interest accrued on the loan while in college.
3. Federal Direct PLUS Loan - Available to graduate and dependent undergraduate students' parents. PLUS loans are not subsidized, interest will begin accruing on the loan is fully disbursed. Repayments are deferred while the student is enrolled in college.
4. Federal Direct Consolidation Loan - Allows you to combine multiple federal student loans into one loan without losing your federal loan benefits. Consolidation allows the borrower to streamline repayment or switch loan servicers. This will not impact interest rates on student loans.

Federal subsidized and unsubsidized loans can pay for tuition, school fees, room and board, meal plans, utilities, books and supplies, computers and other needed technology, and transportation needs.

Private Student Loans - Unlike federal loans, private loans do not offer repayment terms, universal borrowing limits, interest rates, and providers may deny borrowers based on credit worthiness. Borrowers can apply for private loans directly from the individual lender. The loans terms are set by the individual lender. An important note, some lenders require you to begin repaying immediately after distribution of the loan, some lenders may wait until after graduation

or leaving school. It is important to research these terms and conditions when looking for a private loan lender. Students are able to apply for private students' loan anytime throughout the year, however, a student should apply for a private student loan two months before the student's school's tuition due date.

Have questions? Reach out to Colby at Colby.Moergeli@tristartrust.com



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