

2018-2019

# Education Loans – *at-a-glance*

FEDERAL, STATE, & FOR-PROFIT COMPARISON



Alaska Student Loan Corporation

Compiled by ACPE

	Federal			State		For Profit
	Federal Direct Loan – Undergraduate <sup>2</sup>	Federal Direct Loan – Graduate	Direct PLUS	Alaska Supplemental Education Loan	Family Education Loan	Banks and other private lenders
Interest Rate	<b>5.05%</b>	<b>6.60%</b>	<b>7.60%</b>	<b>4.93-7.93% APR</b> (5.15-8.50% fixed rate*)	<b>6.65-6.90%</b>	Generally depends on credit score
Only Offers Fixed Rates	✓	✓	✓	✓	✓	•
No Origination Fee	•	•	•	✓	✓	•
Auto-Pay Rate Discount	✓	✓	✓	✓	✓	✓
Alaska In-State Rate Discount	•	•	•	✓	✓	•
Grace Period	✓	✓	•	✓	•	•
Income-Based Repayment Options	✓	✓	✓	•	•	•
Options for Undergraduate	✓	•	✓	✓	✓	✓
Options for Graduate	•	✓	✓	✓	✓	✓
Options for Professional Credential	•	•	✓	✓	✓	✓
Student Borrows (Family or others can cosign)	✓	✓	•	✓	•	✓
Family Borrows	•	•	✓	•	✓	✓
Credit Requirements	•	•	✓	✓	✓	✓
Offers Refinance Options (after graduation)	•	•	•	✓	✓	✓

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# \$mart Guide to Education Loans

What you should know about your education loan(s)



Alaska  
Commission on  
Postsecondary  
Education

Alaska Student  
Loan Corporation

[acpe.alaska.gov/moneysmarts](http://acpe.alaska.gov/moneysmarts)  
[acpe.alaska.gov/loans](http://acpe.alaska.gov/loans)  
800-441-2962

## Should I take out a student loan?

A student loan can be a good choice when it can help you stay at a full-time or on-time credit load, when it will bring a return on the investment with a good paying job, or when you need to build your credit and can make the regular payments on your loans.

Keep in mind the student loans you take out will have to be paid back, with interest, whether you graduate or not. If you decide to take out a student loan, it is a good idea to shop around for a low interest rate and flexible repayment options, and ensure the loan meets your needs at the lowest possible cost. Be sure to exhaust all other non-loan aid, such as grants and scholarships, before you borrow.

## Who should I borrow my student loans from?

As a general rule, subsidized federal loans are the better option, followed by loans from state or non-profit lenders. If you have an excellent credit score you may be able to get a competitive rate from a private lender or bank, but be sure to read the fine print and really understand what the repayment options are for each loan.

## Should I Choose a Fixed Rate or a Variable Rate Loan?

Fixed rates are interest rates that will not change over time; they are locked in for the life of the loan. Variable rates change over time, which can be a gamble, especially in the current environment of rising rates. With variable rates you risk having your costs rise over the life of your loan - potentially costing you thousands of dollars. Variable rate loans can result in savings in a declining rate environment, or when you can easily refinance if the rates rise.

## What is APR?

APR = Annual Percentage Rate. APR is the expected annual cost of your loan, including interest and any fees your lender may charge. The rate has been calculated over the full life of the loan and takes into account periods of time that you may not be required to make payments. For student loans the APR can be different from the listed fixed rate if the loan does not require payments while in school, such as the Alaska Supplemental Education Loan (ASEL).

## What is an Origination Fee?

An origination fee is a set amount plus interest you are charged for taking out a loan. Some student loans do not have an origination fee and others do. Be on the look out and be aware if your loan options include an origination fee. Some lenders also charge other fees, such as repayment fees, and you should ensure you understand all fees before taking out a loan. ACPE does not charge an origination fee, nor any other fees for taking out a loan.

## What are Rate Discounts?

Rate discounts are reductions in the interest rate you pay on your loan and they save you money over time by helping you pay less interest on your loan. Lenders may offer rate discounts for participating in automated payments.

## How does a Grace Period Work?

A grace period is an amount of time after you graduate, or when your enrollment drops below half-time, where you are not required to make payments on your student loans. For example, if you graduate in May, and have a 6-month grace period, your first loan payment will not be officially due until October. Generally, family loans do not have a grace period; payments must begin after the final disbursement.

## What Credit Score do I Need?

Generally, there are no credit requirements for federal loans to students. Federal PLUS loans do have credit requirements but not a specific credit score requirement. You may be eligible for an ACPE Family Education Loan without any credit score, so long as your credit history doesn't reflect negative items. For other student loans, your credit score determines your interest rate, and you may also be required to have a cosigner. To get a student loan through ACPE you must have a FICO score of at least 650 or a qualifying cosigner.

Visit [acpe.alaska.gov/MyRate](http://acpe.alaska.gov/MyRate) to learn more.

## What are Loan Terms?

Terms refers to the conditions of the loan as set out in your promissory note. For example, one term may be the amount of time you and your lender agree to allow for the loan to be paid back. Generally, the longer the loan repayment term the lower your monthly payments will be, but the more you will have to pay in interest over the life of the loan.

## What is the Difference Between On-time and Full-time Enrollment?

On-time students will graduate with a bachelors within 4 years by taking 15 or more credits a semester. Full-time students take 12 - 14 credits per semester.

## How is a Student Loan Different from a Family Education Loan?

For student loans the borrower is the student. If the student doesn't meet the credit requirement, a family member or friends may choose to cosign the student loan.

Visit [acpe.alaska.gov/LOANS/Cosign-a-loan](http://acpe.alaska.gov/LOANS/Cosign-a-loan) for more information.

Family education loans are borrowed by family members on behalf of the student. The loan is not tied to the student's credit score. For federal and ACPE loans, parents of dependent students may borrow. ACPE also allows for the student's grandparent, spouse, step-parent, or foster parent to borrow.