

# 2022-2023 EDUCATION LOANS | *what you need to know* Smart Borrowing, Smart Savings



Alaska Student Loan Corporation

## You Asked — ACPE Answered.

### Should I Take Out a Student Loan?

A student loan may be a good choice for many reasons:

- Help you stay at enrolled as a full-time or on-time student
- Return on the investment when results in a good paying job
- Builds credit by making on-time payments

**REMEMBER** 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, 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.

### What Kind of Lenders Offer Student Loans and Who Should I Borrow From?

Student loans may be obtained through the Federal government, state or non-profit lenders, private lenders and/or banks.

Generally, 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. ACPE does not charge an origination fee, nor any other fees for taking out a loan. Be on the lookout and be aware if your loan options include an origination fee. Some lenders also charge other fees, such as repayment fees.

### 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 and an absence of adverse credit, or a qualifying cosigner.

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

### What are Loan Terms?

"Loan Terms" refer to the conditions of your loan as set in its promissory note. Loan Terms typically include the amount of time you have to pay back the loan, such as 5, 10, 15 years.

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

On-time students will graduate with a bachelor's within 4 years by taking 15 or more credits per 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 friend 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 students may borrow. ACPE also allows for the student's spouse, grandparent, step-parent, or foster parent to borrow.



[acpe.alaska.gov/moneysmarts](http://acpe.alaska.gov/moneysmarts)

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