



## OFA Online Workshop Series

# Financing Your Future

## Borrowing for Education

Ready to begin?  
Click here! 

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## How Things Work


The online courses offered by the Office of Financial Assistance provide students with opportunities to gain knowledge on a variety of topics related to financial aid and money management.


Each course takes about 15 – 20 minutes to complete; but the courses aren't timed and you aren't limited in the number of times you can access these materials.

To navigate through the courses, use the buttons at the bottom of each slide.

To move to the next slide, click on 

To go back to the previous slide, click on 

To return to the beginning of the course, click on 

To go to the end of the course, click on 

Have a question? Click on  

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## Financing Your Future

In this course, we'll cover:

- What educational loans are and how they work;
- How to apply for educational loans and how much to borrow;
- How to explore your loan options;
- Private/alternative loans and things you need to consider;
- What to do when you don't qualify for additional funds.

Your goal is:

-To develop an understanding of how educational loans work, how you can use loans to finance your education, and how to manage your educational costs using loans.

Ready to begin? Use your mouse and click on the arrow below.



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## Introduction

Almost everyone, at some point in life, will take out a loan of one kind or another. Usually, we take out loans to cover or finance the purchase of something we don't have ready cash to purchase on our own—large appliances, cars, houses. But loans can also be used to finance your college education.



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## What are Education Loans

Educational loans are funds that you borrow from a private or government supported lender to cover the portion of your educational costs that haven't been met by other financial aid.

Why take out a loan? Grants, scholarships, and work-study generally only cover a portion (45 percent or so) of your total educational costs (tuition and fees, books and supplies, room and board, transportation and personal expenses). The gap between what is covered by other aid and your total cost of attendance must be paid somehow. If you don't personally have the funds to cover the difference, educational loans are available to defer these costs.



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## How Do Educational Loans Work

As we mentioned, educational loans *defer* your educational costs. This means that someone (a "lender"—like an individual, a bank, a credit union or other entity) will provide the money directly to the university to pay your bill *now*, and you agree you will repay the lender all of the money you borrowed plus interest (an extra amount you pay the lender in order for them to provide you with these funds), by making monthly payments, at some later time (typically after graduation).



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## Applying for Educational Loans

The process of applying for educational loans begins with applying for financial aid. Your first step is to complete the Free Application for Federal Student Aid (FAFSA).

The UIW Office of Financial Assistance (OFA) will use the information from your FAFSA to determine if you are eligible for state or federal loan programs and will recommend an amount for you to borrow.



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## How Much to Borrow

After you receive your award letter indicating how much the OFA has determined you are eligible for, it's time to sit down and think about how much you really need to borrow.

Remember, the financial aid the OFA packages for you is designed to cover your full budgeted cost of attendance (tuition and fees, books and supplies, room and board, personal and transportation expenses). If the scholarships, grants and work-study you are awarded cover your tuition and fees, how much more do you really need?

Let's take a look at Kate, an undergraduate living on campus, and see how she made this decision.



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## How Much to Borrow

Kate is an undergraduate. She will enroll full-time and live on campus. Her budget for the year compared to the financial aid she was awarded—without loans—looks like this:

Tuition and Fees	\$19,050	Grants	\$11,074
Books	\$ 1,000	Scholarships	\$ 4,000
UIW Laptop	\$ 1,500	Work-study	\$ 2,000
Room & Board	\$ 6,964		
Transportation	\$ 900		
Personal Expenses	\$ 1,530		
Total	\$30,944		\$17,074



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## How Much to Borrow

Kate's mom and dad can help out with the transportation and personal expenses by supplying a car, a gas card, paying for insurance and setting aside some funds each month for Kate's personal expenses. That means Kate really only has to cover tuition and fees, books, the laptop, and room and board.

Her new budget looks like this:

Tuition and Fees	\$19,050	Grants	\$11,074
Books	\$ 1,000	Scholarships	\$ 4,000
UIW Laptop	\$ 1,500	Work-study	\$ 2,000
Room & Board	\$ 6,964		
<b>Total</b>	<b>\$28,514</b>		<b>\$17,074</b>



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## How Much to Borrow

According to the OFA, Kate is eligible for a Subsidized Stafford Loan of \$3,500; and Kate's parents can borrow up to \$10,370 through the PLUS loan program. This gives her a total loan eligibility of \$13,870.

The amount Kate figures she really needs to borrow, however, is \$11,460. This equals her cost of attendance – grants – scholarships – workstudy – her parental contributions. Her family lives in San Antonio, too; and she knows she can change her status from living on campus to living at home in order to reduce the amount she has to borrow even more if she has to.



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## How Much to Borrow

Notice, Kate has decided to borrow an amount that's /ess than the OFA determined she's eligible for. You can do this too, if you determine it would work for you. If, for some reason, you later decide you need to borrow the full amount you were eligible for; you can always come in to the OFA and ask for the additional funding.



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### Exploring Your Options

In the previous example, Kate had two kinds of educational loans—a Subsidized Stafford and a PLUS Loan. How do you know which educational loans you should take out? Start out by looking at the loans the OFA has determined you are eligible for:

**Perkins Loans** – federally backed loans made to students by the college/university

**Stafford Loans** – federally backed loans made to students by banks, credit unions, other private lender or the U.S. Department of Education

**PLUS Loans** – federally backed loans made to parents for their students by banks, credit unions and other private lenders.



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### Exploring Your Options

**Grad PLUS Loans** – federally backed loans made to graduate students by banks, credit unions and other private lenders.

**B-on-Time Loans** – state loans made to undergraduate students who completed the Recommended or Distinguished High School Diploma program and graduated from a Texas public or accredited Texas private high school and whose parents have been denied a PLUS loan.



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### Exploring Your Options

**College Access Loans (CAL)** – state funded alternative loans available to credit-worthy students/co-borrowers to cover the difference between need-based aid and the full cost of attendance.



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## Exploring Your Options

So which loans do you take?

Federally backed/guaranteed Stafford loans have some of the better interest rates and repayment options. These loans can also be consolidated (merged together) after you graduate. We recommend you accept these loans *first* and then borrow through other loan programs (PLUS, B-on-Time, CAL, etc.) *only* if you still have costs to cover.



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## Private/Alternative Loans

Sometimes students won't have enough funding available to cover all of their costs of attendance—even with Perkins and other federally backed loans. When this happens, students either pay out of pocket, make payment arrangements, or seek alternative loans.

Alternative loans are private loans—sometimes called signature loans—offered by banks, credit unions and other lenders. The interest rates for these loans are typically higher than those offered through the Perkins and Stafford Loan Programs.



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## Things You Need to Consider

Here are some things you need to know up front before considering an alternative loan:

1. Who (which entity/organization) is actually providing the funds for this loan?
2. What is the interest rate on this loan; and will that interest rate change at any point?
3. Do you have to pay a fee to take out this loan?
4. Does the lender offer any options for deferring repayment or do you have to start paying right away?
5. If you can't make a payment as scheduled, does the lender offer any options to defer or delay payment?



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### Things You Need to Consider

- 6. Are there any benefits or penalties for early payoff?
- 7. Do you receive any discounts on the interest rate if you make payments on time?
- 8. Will the lender ever sell your loans or will they keep them until you pay them off?
- 9. Is there any opportunity to release a co-signer from his/her obligation if you make payments on time?
- 10. If you lose any of your discounts because you've missed a payment or had a late payment, can you get them back later?
- 11. What happens if you default on the loan?




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### When You Don't Qualify...

The PLUS, Grad PLUS, CAL and other alternative loans require the borrower and/or co-signer to prove he/she is credit worthy. If you apply for one of these loans and are denied, visit the OFA. Other financing options may be available to you.




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### Wrap up

If you would like additional information on educational loans or on other financial aid opportunities available to UIW students or if you would like some guidance or assistance in evaluating lenders or investigating other college financing opportunities, visit the UIW Office of Financial Assistance.

We're located in the Watson Enrollment Center on Broadway, across the street from the main campus (between Bill Miller's and Denny's). Counselors are available Monday through Friday, 8:00 – 5:00; and our resource computers are available for student use until 6:00 p.m. Monday through Thursday. Appointments are not required to visit with a counselor.




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## Thank you!

We hope you found this online workshop helpful! If you'd like to see other topics covered, send us an e-mail. Your thoughts and comments are always appreciated.

Sincerely,

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