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Student Loans That Make Sense

By Elizabeth LaScala



Elizabeth LaScala, Ph.D. is an independent college advisor who draws upon 25 years of higher education experience to help guide and support the college admissions process for students and their families. Dr. LaScala is a member of NACAC, WACAC and HECA. She can be contacted at (925) 891-4491 or elizabeth@doingcollege.com. Visit www.doingcollege.com for more information about her services.

of this amount may be in Direct Subsidized Loans.

The interest rate on the Direct Student Loan Program is fixed for the current year at 4.29 percent. Student loan interest rates are tied to the 10-year Treasury bill and are expected to rise in future years. A handy tool to estimate the annual salary one needs to pay back a specific amount of loan can be found at <http://www.finaid.org/calculators/loanpayments.phtml>. For example, if a student accrued a debt of \$27,000, he or she would have to earn just over \$33,000 annually to make a monthly payment of about \$280 over a 10-year time span.

The Department of Education provides very clear guidelines to the affordability of college and reasonable levels of college debt at <https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized%20-%20subsidized-vs-unsubsidized>.

Reach the reporter at: info@lamorindaweekly.com

Student loans are often viewed negatively because they are associated with the rising cost of higher education. Yet many students could not go to college without the help of a loan. If you choose and use a loan judiciously, it can build a sound credit history, add value to your life now and help you prepare for your future. It is common for many families who have the ability to pay full college costs to include a loan in their plan to fund college so the student can be a stakeholder in his or her own education. Other families do so to relieve the strain of high tuition payments, even if they do not qualify for need-based financial aid.

Federally-funded student loans come in two forms: Direct Subsidized Loans and Direct Unsubsidized Loans. Direct Subsidized Loans are available only to undergraduate students with "demonstrated financial need." Direct Unsubsidized Loans are available to all undergraduate students, regardless of need. With Direct Subsidized Loans, the federal government pays the interest while a student is in school. With Direct Unsubsidized Loans students and parents must pay the interest while the student is in school.

According to the U.S Department of Education, dependent undergraduate students and their families may not borrow more than \$31,000 in total in Direct Subsidized and Direct Unsubsidized Loans as they pursue their degree. No more than \$23,000

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