



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Financial Aid Tip of the Month, May 2009

Things to know about student loans

A fact of life for many college students is that they will need student loans to help pay for their college education. Parents will often need to take out loans to help. So both students and parents are encouraged to learn more about student loans and how to save money on them.

The Federal Family Education Loan Program (FFELP) includes Federal Stafford Loans for students. FFELP loans will have a lender and a guarantor. The lender may charge an origination fee on Stafford Loans, similar to the points on a home mortgage. As of July 1, that fee will be 0.5 percent. The guarantor must charge a federal default fee of 1 percent. Those fees are deducted before the loan funds are sent to the student's college.

The Kentucky Higher Education Assistance Authority (KHEAA), which guarantees loans, will pay the federal default fee for Kentucky students attending Kentucky colleges and universities. The Student Loan People, the state's only nonprofit student loan lender, will pay the 0.5 percent fee for Kentucky students attending Kentucky colleges. To be smart shoppers, students and parents should find out what fees each lender charges. The lower the fees, the more money the student gets to pay for school.

On PLUS Loans, lenders are required to charge a 3 percent origination fee, while guarantors must charge the 1 percent default fee. KHEAA will pay the 1 percent default fee for PLUS borrowers attending Kentucky colleges.

Students and parents should also see what benefits lenders offer when they're repaying Stafford Loans. Many FFELP lenders offer interest rate reductions for payments by automatic withdrawal. The Student Loan People offer low-cost BestStart Stafford Loans, BestPLUS Loans for parents borrowing to pay for a child's undergraduate education and BestGrad Loans for graduate and professional students. These three programs offer a 0.25 percent interest rate reduction for auto debit payments.

For complete details about these programs, visit www.studentloanpeople.com; write The Student Loan People, P.O. Box 24328, Louisville, KY 40224-0328; or call (888) 678-4625.

To learn how to plan and prepare for higher education, visit www.GoHigherKY.org. For more information about Kentucky scholarships and grants, visit www.kheaa.com; write KHEAA, P.O. Box 798, Frankfort, KY 40602-0798; or call (800) 928-8926.

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