COMMON TYPES OF LOANS

CLICK ON THE LOANS BELOW TO LEARN MORE ABOUT EACH LOAN.

FEDERAL LOANS

- **Direct SUBSIDIZED loans:** Interests doesn't accrue until after graduation. Interest rate is fixed and is 2.75% for current borrowers. Students don't have to pay their loan until 6 months after graduation.

- **Direct UNsubsidized loans:** Interests begins accruing when loan is disbursed. Interest rate is fixed and is 2.75 for current borrowers. Students don't have to pay their loan (or the interest) until 6 months after graduation.

- **Direct PLUS Loans:** Loans issued to parents of dependent undergraduate students to help pay for education expenses not covered by other financial aid. Payments begin when loan is disbursed but it can be deferred until 6 months after student graduates. Interests accumulates regardless of deferment option. Interest rate is fixed and is 5.3% for current borrowers.

DREAM LOANS

California Dream Loan Program: Provides eligible undocumented AB 540 undergraduates with the option to borrow loans to help cover the cost of attending a UC or Cal State. Interest does not accrue until after graduation. Students are given a 6-month grace period after graduation before making payments. Interest rate is fixed and is 2.75% for current borrowers.

PRIVATE LOANS

Private Loans are loans from private lenders like banks and credit unions . Be VERY CAREFUL when choosing private loans. This is a LAST RESORT. Things to keep in mind about some private loans:

- Higher interest rates
- Interest rates not fixed
- Not subsidized
- No grace period
- Payment begins when loan is disbursed
- Requires a credit score/credit history

CLICK HERE FOR CHART COMPARING FEDERAL LOANS AND PRIVATE LOANS

Loan Terms To Know:

Interest rate: The cost of borrowing money

Subsidized: The government is paying for a portion of the loan or interest owed.

Grace Period: Time in which the borrower is not required to make a payment on their loan.

Fixed Rate: The interest rate doesn't change for the lifetime of the loan. A variable interest rate can change from year to year, which means one year it can be low and the next really high. Fixed rates are better for borrowers.