

2023 - 2024



# STUDENT LOANS & CONSUMER PROTECTION

*A Guide to Responsible Borrowing*

# Postsecondary Student Loans

A loan is money you borrow and must pay back with interest. While taking on any debt isn't ideal, student loans may be the one thing you need to cover the balance of your tuition and college expenses after grants, scholarships and savings have been applied. The choice to incur debt shouldn't be taken lightly, but for many students it allows them to pursue their higher education goals.

*These are important words to know as you are going through the process of applying for a loan!*

## CO-SIGNER

A creditworthy individual, usually a parent or spouse, who has agreed to share the responsibility for repayment with a student.

## DEFAULT

Being delinquent in repaying a student loan more than a predetermined number of days or failure to comply with any of the other terms of the promissory note.

## DEFERMENT

A postponement of the loan repayment. Conditions for deferment vary by loan program.

## DELINQUENCY

Missing a scheduled payment on a student loan. If delinquency persists, default will occur.

## DISBURSEMENT

Providing loan funds to the student or to the institution on the student's behalf. A student loan can be disbursed in multiple payments. Disbursements can be sent electronically to the student's school to credit his or her school account.

## FORBEARANCE

An arrangement to postpone or reduce a borrower's monthly payment amount for a limited and specified amount of time, or to extend the repayment period. The borrower is charged interest during the forbearance.

## INTEREST

A fee charged to borrow money. Interest charges are in addition to the principal of the loan.

## INTEREST SUBSIDY

The payment of interest on subsidized loans by the U.S. Department of Education for student borrowers while they are in school.

## PRINCIPAL

The amount borrowed by the student before interest is charged.

## PROMISSORY NOTE

The legal document signed by the borrower prior to receiving a student loan. Besides containing a promise to repay the loan, it lists the conditions of the loan and terms for repayment.

## SERVICER

A loan servicer sends borrowers bills for payment, collects payment for the lender and maintains the borrower's loan accounts. Lenders, like the U.S. Department of Education, pay servicers to provide this function.



# Student Loans are available from the federal government and state of Minnesota



## How to Evaluate a Loan

Each loan has its own characteristics and features. Here are some great questions to help you compare your options:

- What is the total cost to repay the loan (including the fees, principal and interest)?
- How long it will take to repay the loan?
- How much are the monthly payments?
- What are the late payment penalties?
- Can it be consolidated with other loans?
- Can payments be deferred if you re-enter college?
- Can payments be deferred if you experience financial difficulties?

## Types of Loan Options



### FEDERAL DIRECT SUBSIDIZED AND UNSUBSIDIZED LOANS

The federal government makes Direct and PLUS loans available directly to students through schools across the country. No banks or guarantee agencies are involved. The U.S. Department of Education is the lender.



### FEDERAL DIRECT PLUS LOANS

Federal PLUS Loans are loans to parents of dependent undergraduate students and students in graduate and professional programs.



### STATE LOAN PROGRAM: SELF LOAN

The SELF Loan is a long-term, low-interest loan program administered by the Minnesota Office of Higher Education. Because it is administered by the state, interest rates tend to be lower than private loans and some federal loans. Rates are the same for everyone and are not based on credit scores like most private loans.



### PRIVATE OR ALTERNATE LOANS

Private or alternative loans are available from private lenders, such as banks, savings and loan associations or credit unions. Depending on the credit strength of the borrower/co-signer, these loans may cost more than federal loans, or the SELF Loan.



*Learn more about the types of student loans on the following pages!*

# Federal Loan Options

The federal government makes Direct and PLUS loans available directly to students through schools across the country. No banks or guarantee agencies are involved. The U.S. Department of Education is the lender.

## FEDERAL SUBSIDIZED AND UNSUBSIDIZED DIRECT LOANS

- **Direct Subsidized Loans** are disbursed on a need-based assessment. The federal government pays interest while the student is in school.
- **Direct Unsubsidized Loans** are not need based. Interest accrues while the student is in school.

### ELIGIBILITY REQUIREMENTS

You must attend school at least half time, and your school must determine your financial need.

### HOW TO APPLY

To apply, complete the FAFSA (Free Application for Federal Student Aid) at [studentaid.gov](https://studentaid.gov). You will then need to sign a promissory note, agreeing to repay your loan. The loan disbursements will be sent to your school. Most loans are disbursed in two or more payments.

Federal Direct Loan Limits (Subsidized and Unsubsidized)			
	Undergraduate students		Graduate students (No longer eligible for unsubsidized loans)
	Dependent	Independent	
1st year	\$5,500	\$9,500	\$20,500 for each year
2nd year	\$6,500	\$10,500	
3rd- and 4th year	\$7,500	\$12,500	
Aggregate	\$31,000	\$57,500	\$138,500

## FEDERAL PLUS LOANS

Federal PLUS Loans are loans to parents of dependent undergraduate students and students in graduate and professional programs. The U.S. Department of Education is the lender.

### ELIGIBILITY REQUIREMENTS

Federal PLUS Loan borrowers must have their credit checked. Borrowers must be U.S. citizens or eligible non-citizens.

Borrowers may borrow up to the annual cost of attendance, minus any financial aid received for students enrolled at least half time. There is no cap on annual or lifetime borrowing amounts.

### HOW TO APPLY

To apply, students in graduate or professional programs, or parents of the undergraduate student, must complete a PLUS Loan application. Applications are available online at [studentaid.gov/plus-app](https://studentaid.gov/plus-app).

Federal Interest Rates from July 1, 2023 - June 30, 2024		
Direct Subsidized and Direct Unsubsidized Loans	Undergraduate	Graduate
		5.50%
PLUS loans	8.05%	8.05%

For information on current Direct Loan interest rates, visit the Federal Student Aid website at [studentaid.gov/interest](https://studentaid.gov/interest).

# State Loan Option: SELF Loan

The state of Minnesota offers a trusted, low-interest loan program to students attending an eligible Minnesota institution and resident students who are enrolled in an eligible school in another state.



## STATE LOAN PROGRAM: SELF LOAN

The SELF Loan is a great option for students to bridge their remaining tuition gaps when paying for college or career school education. Approximately 400 institutions in Minnesota and out-of-state participate in the program. To find out if an institution participates, visit [www.selfloan.state.mn.us](http://www.selfloan.state.mn.us).

### To be eligible, a student must:

- Be enrolled in an eligible school in Minnesota or be a Minnesota Resident Student enrolled in an eligible school in another state
- Be enrolled at least half time in a certificate, associate, baccalaureate or graduate degree program
- Have a creditworthy co-signer who is a U.S. citizen or permanent resident
- Not be delinquent or in default on a SELF or other outstanding student loan

### HOW TO APPLY

Complete the FAFSA (Free Application for Federal Student Aid) at [studentaid.gov](http://studentaid.gov). The campus financial aid administrator will determine the maximum amount a student may borrow and recommend a loan amount. The maximum cannot exceed the cost of attendance minus all other financial aid you are receiving.

The loan limit for students enrolled in bachelor’s degree, post-baccalaureate or graduate programs at participating schools is \$20,000 per year. Students enrolled in 1-3 year programs are eligible for up to \$10,000 per year, while programs shorter than 1 year are eligible for \$3,500.

SELF Loan Limits		
Program Type	Annual Limit	Cumulative Limit
4-year programs	\$20,000	\$100,000
Graduate programs	\$20,000	\$140,000 (includes undergraduate)
1-3 year programs	\$10,000	\$30,000
Programs shorter than 1 year	\$3,500	\$7,500

SELF Loan Interest Rates (Effective July 1, 2023)		
SELF Loan VI	Fixed-rate	Variable-rate
		6.35%

Students are able to select either a fixed- or variable-rate SELF Loan. There are no guarantee or origination fees.

# State Loan Option: SELF Loan

Before applying for a SELF Loan, students are required to seek other sources of federal, state, institutional, and private aid that they may be eligible for.

SELF is funded by revenue bonds, rather than through the state or federal government. Because of that, borrowers must have a creditworthy co-signer on their loan. They must make minimum payments on the loan while in school.

These features allow the SELF Loan to offer low interest rates, as well as no application, processing or guarantee fees.



## *Minimum Monthly Payments Keep Interest Low*

SELF Loan borrowers must make minimum payments on the loan while in school. This allows the SELF Loan to offer low interest rates, as well as no application, processing or guarantee fees.

## SELF LOAN BENEFITS: STUDENT SUCCESS COACHES

An added benefit of the SELF Loan program is access to Student Success Coaches for first-time borrowers in their first year of postsecondary education. Coaches work with these students one-on-one to gain the essential skills needed to navigate their postsecondary pathway toward degree attainment and improve their long-term career and financial outcomes.

### *How does it work?*

Delivered through no cost virtual sessions offered via phone, email and text, the service helps eligible students develop crucial skills like time management while increasing awareness of available on-campus and off-campus resources to ensure that students have the support they need to succeed academically and personally.

Students will work with success coaches to set educational goals, chart a path to achieve those goals, and navigate the obstacles they may encounter as they work toward earning a college degree.

Learn more about this benefit at [www.selfloan.mn.us](http://www.selfloan.mn.us).



### **A loan is not free money - Borrow responsibly!**

Don't borrow more than you need. Remember, this isn't free money — you need to pay interest while you are in school and then repay what you borrowed.



## SELF REFI PROGRAM

SELF Refi is a Minnesota student loan refinancing program. Minnesota residents who have earned a credential and are currently employed are eligible to refinance up to \$150,000 in student loans, depending upon the type of credential earned. Borrowers not currently employed may qualify using household income and expenses with a spouse as the co-signer.

Fixed and variable rate options are available with 5, 10 and 15 year repayment terms. Interest rates range from 6.0% to 8.95% as of July 2023. There are no guarantee or origination fees for SELF Refi.

Eligibility is determined based on FICO score and debt-to-income ratio. Borrowers may qualify on their own, or if they have a co-signer, there is a release option with on-time payments.

Learn more at [www.selfrefi.state.mn.us](http://www.selfrefi.state.mn.us).



## Other Loan Options



### PRIVATE OR ALTERNATIVE LOANS

Private or Alternative loans are available from private lenders, such as banks, savings and loan associations or credit unions. Depending on the credit strength of the borrower/co-signer, these loans may cost more than federal loans, or the SELF Loan. For more information and assistance, contact the private lenders directly or the financial aid administrator at the school you attend or plan to attend.

*If you need a loan to help cover the cost of a college or career school, consider federal student loans first.*

Be sure to look into any federal loans that you may be eligible for. Understand the benefits of federal loans, such as:

- No interest payments required during school for subsidized federal loans
- Low fixed interest rates
- Deferments
- Forbearances
- Loan forgiveness
- Various repayment plans (including income based)



# Loan Repayment Options

This chart provides a guideline for the estimated minimum salary you would need to repay different levels of student loan debt. There are many repayment options for loans, be sure to pick the best option for your loan type and amount of debt.

Estimated Income Needed to Repay Student Loans		
Amount Borrowed	Monthly Payments (120 payments)	Estimated Income Level
\$10,000	\$115	\$14,400
\$15,000	\$173	\$21,600
\$20,000	\$230	\$28,800
\$23,000	\$265	\$33,100
\$30,000	\$345	\$43,200
\$40,000	\$460	\$57,500
\$50,000	\$575	\$71,900
\$65,500	\$754	\$94,200

## Income Based Loan Repayment

If your federal student loan payments are high compared to your income, you may want to repay your loans under an income-driven repayment plan. Income based repayment is a federal program, in which the amount a borrower pays on federal loans each month is based on their income and family size. Because this program has the borrower making smaller payments in the first years of repayment, borrowers will pay more interest on the loan over time.



## Public Service Loan Forgiveness

Public service loan forgiveness is a federal provision available to people working in public sector and nonprofit jobs, once they have made 10 years of payments on their federal loans. Payments made on or after October 1, 2007 qualify. Public school teachers and state employees qualify. The eligibility criteria and list of occupations are available from the U.S. Department of Education.

## Loan Consolidation/Refinancing

If you have outstanding balances on several different federal loans, you may be able to combine them into one new consolidated loan with one monthly repayment. This reduces the size of your monthly payments by extending your repayment period for 10 to 30 years, depending on your total debt. Other loan consolidation or refinancing programs are available from the Minnesota Office of Higher Education, participating private or state lenders such as banks, credit unions, and savings and loan associations.

## Defaulting On Your Loan

If you fail to repay your loan, you will be in default. Your lender, state and federal governments can take action to recover the money:

- Your tax refunds may be withheld
- Part of your salary may be withheld if you work for the federal government
- You may be sued and taken to court
- Credit bureaus will be informed and your future credit rating may be affected, which may make it difficult to borrow money for a car or a house
- You will not be able to obtain additional state or federal student aid until you make satisfactory arrangements to repay

## Beware of Financial Aid Search Companies

*Some financial aid search companies offer to match students with financial aid for a fee. Be cautious in using these services. There are no guarantees the company will find any sources of financial aid that you cannot find yourself.*

The following are some questions to consider if you use a search company or financial aid consultant:

- Does the company maintain its own scholarship database?
- Do the sources include federal and state programs for which the student will be considered through the regular financial aid application process?
- Do the sources include institutional scholarships about which the student would be notified once accepted to the college?
- How often does the company update its list of aid sources?
- Are there application fees for the sources provided?

Proceed with caution if you notice any of these red flags:

- Requests your personal information, such as: bank accounts, credit cards or social security number
- Uses excessive hype and claims high success rates
- Requires up-front money for application fees
- Has typing and spelling errors on application materials
- Lists no telephone number for the business
- Suggests influence with scholarship sponsors
- Pressures you to respond quickly

*If you have been the victim of a scholarship scam, file a complaint and report the fraud.*

## Consumer Protection

If you have been the victim of a scholarship scam, file a complaint and report the fraud.

### Student Advocacy and Consumer Protection

Colleges licensed and registered by the Minnesota Office of Higher Education are held accountable by our agency. If you have a bad experience or believe the institution has not met its promises, you can file a complaint through our Institutional Licensing and Registration Department. The Minnesota Office of Higher Education will investigate complaints regarding colleges who are out of compliance with state standards.

#### WHERE TO FILE COMPLAINTS

Registration and Licensing at the Minnesota Office of Higher Education  
1450 Energy Park Drive, Suite 350 Saint Paul, MN 55108  
651-259-3975 or 1-800-657-3866 info.ohe@state.mn.us

**Learn more at [www.ohe.state.mn.us/studentadvocate](http://www.ohe.state.mn.us/studentadvocate)**

# STUDENT LOAN PROGRAM LOAN COMPARISON CHART 2023-24 Academic Year

	Federal Loan Programs			State Loan Program																					
	STAFFORD/DIRECT LOAN	GRADUATE PLUS LOAN	PARENT PLUS LOAN	MN SELF LOAN PROGRAM																					
Loan Program Type	Student	Student	Parent	Student																					
Co-signer Required	NO	NO	NO	YES. Co-signer must pass credit check																					
Loan Description	Half-time attendance required. Loans can be subsidized (needs-based) or unsubsidized (non need-based)	Student must be enrolled at least half time at an eligible postsecondary institution in a graduate program	Non-need based. Parent may not have adverse credit history	Non-need based loan for participating schools. School determines eligibility. Co-signer must be creditworthy.																					
Interest Rate	Fixed rate	Fixed rate. Interest accrues while student is in school	Fixed rate. Interest accrues while student is in school.	Variable rate, adjusted quarterly. Fixed rate option available. Interest accrues while student is in school.																					
Current Interest Rate	5.5% Unsubsidized and Subsidized Undergraduate 7.05% Unsubsidized Graduate	8.05%. Certain reductions during military service	8.05%. Certain reductions during military service	6.35% as of July 1, 2023. Variable rate option of 7.5%. Certain reductions during military service. Variable rate cannot increase more than 3% in one year.																					
Fees	1.057% Of loan - default fee	4.228% (Default and origination)	4.228% (Default and origination)	None																					
Annual Loan Limits	\$5,500 (1st Year), 6,500 (2nd Year), \$7,500 (3rd - 5th Year), \$20,500 (Graduate) Independent students or dependent students whose parents don't qualify for a PLUS loan are eligible for \$4,000-\$5,000 more per year	None. Annual eligibility limited to cost of attendance less any other financial aid.	None. Annual eligibility limited to cost of attendance less any other financial aid	\$3,500 Undergraduate short programs \$10,000 Undergraduate 1-2 year programs \$20,000 Undergraduate 4-Year programs; Graduate																					
Aggregate Limits	\$31,000 (Undergraduate) \$138,500 (Graduate) Independent students and dependent students whose parents are turned down for PLUS may have higher limits.	None	None	<table border="1"> <thead> <tr> <th></th> <th>1-2 Year Programs</th> <th>4-Year or Grad</th> </tr> </thead> <tbody> <tr> <td>1st year</td> <td>\$10,000</td> <td>\$20,000</td> </tr> <tr> <td>2nd year</td> <td>\$20,000</td> <td>\$40,000</td> </tr> <tr> <td>3rd year</td> <td>\$30,000</td> <td>\$60,000</td> </tr> <tr> <td>4th year</td> <td></td> <td>\$80,000</td> </tr> <tr> <td>5th year</td> <td></td> <td>\$100,000</td> </tr> <tr> <td>Agg.</td> <td></td> <td>\$140,000</td> </tr> </tbody> </table>		1-2 Year Programs	4-Year or Grad	1st year	\$10,000	\$20,000	2nd year	\$20,000	\$40,000	3rd year	\$30,000	\$60,000	4th year		\$80,000	5th year		\$100,000	Agg.		\$140,000
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Repayment - In School	Interest payments may be deferred for unsubsidized loans	Deferred while student is in school attending at least half time.	Begins 30-60 days after final disbursement made. Up to 10 years to repay. May be deferred while student is in school at least half time.	Monthly payments of \$15 while in school.																					
Repayment - Out of School	Begins 6 months after student graduates or drops below half-time status. Repayment term up to 10 years. Various repayment options are available.	Begins 6 months after student graduates or drops below half-time status. Repayment term of up to 10 years. Various repayment options available.	Begins 6 months after student graduates or drops below half-time status. Repayment term of up to 10 years. Various repayment options are available.	Monthly payments of \$15 required for 12 months after borrower completes or leaves degree program. Standard repayment length increases with aggregate balance. Extended interest only plan available.																					
Deferment, Cancellation, Forgiveness Options	Deferment and forbearance options available. Discharge for death/permanent disability. Cancellation provisions for teachers and other designated public service professions.	Deferment and forbearance options available. Discharge for death/permanent disability.	Deferment and forbearance options available. Discharge for death/permanent disability.	Short-term forbearance period for financial hardship. Discharged for borrower death/permanent disability.																					
Eligibility for Federal Loan Consolidation Programs	YES	YES	YES	NO																					





[www.selfloan.state.mn.us](http://www.selfloan.state.mn.us)

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