

Paying for College

Student Loan Terms

By Robert Walker

Director of Financial Aid
Creighton University

(NAPS)—The world of student loans can be a confusing maze for parents and students. Yet, while the process may seem overwhelming, there are a number of loan options and resources available to applicants. Familiarizing yourself with the following terms is a great starting place when beginning your search.

FAFSA—Free Application for Federal Student Aid. FAFSA is the starting point of the entire aid process and the most important piece. Without this, nothing else happens. All students must send their completed FAFSA to the Department of Education to determine their level of aid eligibility. A timeline for form submission will be provided in our next Paying for College column. (Tip: Using the Web e-application is simple, intuitive, and reduces processing time by weeks.)

Stafford Loan—Subsidized (need based) and Unsubsidized (non-need based) loans guaranteed by the government and available to students for education funding. On July 1, 2003, Stafford loan rates dropped to a record low of 3.42 percent for loans in repayment.

Perkins Loan—A school-based program, awarded, administered, and collected by the school. At 5 percent, this loan has a low interest rate and the interest is subsidized while the student is in school.

PLUS—Parent Loans for Undergraduate Students. Federal loans available to parents of dependent undergraduate students. A great cash flow option and any excess payments go directly to the principal, quickly lowering repayment amount.



Consolidation Loan—Combining several loans into a single loan, reducing monthly payments and/or extending the repayment period. Many loan companies such as Nelnet (National Education Loan Network) provide additional interest rate reductions for students, increasing monthly savings.

Disbursements—The release of loan funds to the school for delivery to the borrower.

Deferment—A period when a borrower meeting certain criteria may suspend loan payments.

Forbearance—The lender allows the borrower to temporarily postpone repaying the principal, but interest charges continue to accrue, even on subsidized loans.

For complete information on the student loan process, I recommend parents and students visit the Nelnet Web site at www.nelnet.net. With over 25 years of experience in student lending, Nelnet provides comprehensive services for students, parents, and schools, making financial aid easy and affordable.

• *Robert Walker of Creighton University in Omaha, Neb. is a recipient of the Nelnet Full Circle Award, which recognizes excellence in financial aid counseling.*