

# Got School, Got Loans, Got Stress?

October 10, 2014  
By Shianne Lowe

It's the beginning of another season in Ellensburg, another quarter at CWU, and another money



panic attack for students. For returning students, you may remember that heart-attack feeling when you see your loan balance from financial aid or some other student loan organization. For freshmen, you may not be so familiar with the heart-stopping effect some numbers and dollar signs next to your name can have.

Fortunately, you're not alone, and you don't have to figure out how to pay all that cash back from scratch. As with any stressful situation, the best way to achieve peace of mind is to have a plan. This means you need to understand what kind of loan you have, when you need to start paying it off, and how long it will take.

If you take a look at FAFSA's website, you'll see that student loans break down into two categories, subsidized and unsubsidized.

Subsidized loans are determined by your financial need, and the U.S. Department of Education pays your interest throughout school and for a 6-month "grace period" after you graduate. This means your \$5,000 loan you get now is still \$5,000 in 4 plus years. Unsubsidized loans are given based on your cost of attendance, and accumulate interest from day one. This interest is then capitalized — meaning that each month your interest is added to your loan and that total amount is charged interest for the next month. Thus, your \$5,000 loan could become a \$7,000 loan over time if you

made no payments, and depending on your interest rate.

Before you start hyperventilating, keep tracking with me. The big picture can seem overwhelming but if you break it down into bite-size pieces and follow a few tips for success, you can quit worrying about the numbers and focus on your own student success and life goals. Once you understand what type of loan you've been offered, ask yourself, "Do I need the whole amount, or can I get by on less?"

Most loans give you the option to accept a portion of what is offered. Then you can identify when interest will start accumulating.

Next, consider making a financial budget, or review yours if you have one, and plan when you can afford to start making payments. This may require some sacrifice from other, more pleasurable areas in your budget, but in the long run you're going to love being debt-free. Always pay at least the minimum for loans incurring interest. But take note that budgeting even \$15 more each month for loan payments could bring you months, even years, closer to financial freedom. Also check out Federal Student Aid's repayment estimator at <https://studentaid.ed.gov/> and see how long it will take to pay off your loan(s) with different monthly payments.

You may be surprised, but following these steps and making a plan for your loans can bring much-needed relief. Be informed and enjoy the present by having peace about your future.

*Shianne Lowe serves as the Financial Literacy Coordinator at HopeSource through the Washington Service Corps.*