

General Types of Student Loans

Education, beyond that offered by public school systems can be a bit expensive. As a result, most students might need some amount of external funding to further their higher education plans. Grants and scholarships may help cover a part of the expenses, but then that privilege is available only for a cream of students.

Not everybody qualifies for grants and scholarships. Student loans help to solve this incongruence by offering a level playing field for all the student classes. A variety of student loans exists both federal and private and for a prospective student, it is just about finding a scheme that best suits their requirements and expenses.

Student Loans, as mentioned already, are either federal or state funded, or those offered by private parties and non-profit private institutions. Starting with the former, the Federal Student Aid or FAFSA can be applied online, and the process is quite easy as well.

Another thing to consider is that the applicant must provide accurate and genuine information while filling out the application. Also, it is advisable to apply for Federal student aid as early as possible, after January 1st.

Another useful federal financial aid package is the Federal Parents Loan for Undergraduate Students or PLUS that considers the good credit ratings of the parents in exchange of financial help for their children.

These low interest loans cover everything from tuition fees and books to housing, library, and supplies. PLUS also can be applied online by filling out the necessary formalities.

Private student loans, on the other hand, are offered by private banks or other financial institutions, and do not have any federal government involvement in the entire process. This type of loans are issued for both undergraduate and graduate students and most avail them to cover the expenses that cannot be otherwise paid by federal aids.

But, unlike federal student loans, where the applicant can know before hand if they qualify for the loan, private student loans do not offer any prior hints and the final approval is solely based on the credit review of the applicant or applicants parents by the lender. If the credit rating of the applicant is not acceptable for the bank, they will reject the application then and there.

One more aspect about private student loans is that it is issued in a first come, first served basis, unlike the federal student loans that is given away on applicants needs. So, if you are planning to apply for a private student loan, start reasonably early.

The best place to look for private student loans is the web. There are many private banks out there offering student loan schemes, hence, it is advisable that a prospective applicant may perform some research and comparison game before choosing the one scheme that suits his her needs requirements fully.

Taking references from previous borrowers is also a good option. Finally, before submitting the application, make it a point to read the fine print thoroughly. This helps solve a lot of technical problems that could arise at a later stage.

When deciding upon a loan its important to understand the difference between types of interest rate repayments. There are two specific types of repayment options and its important to factor these into your final payment schedule.

Subsidized loans are loans which generally have some or all of the interest paid by someone other than the borrower. This type of loan is generally used whilst the student is still in school. Examples of this type of loan would include the Subsidized Stafford Loan and Perkins Loan.

Unsubsidized Loans are loans which accrue interest from the day that the loan is disbursed to the borrower (or their school). Although the loan may be completely deferred (Example: you dont make payments for a period of time) and you may not be currently making payments the interest will still be accruing on the loan amount. Examples of unsubsidized loans include the Unsubsidized Stafford Loan, Parent PLUS Loan, private alternative student loans, and student loan consolidations.

You will need to make the decision as to which repayment schedule you make at the disbursement point of the loan. I would always counsel that it is better to struggle and slowly pay off the loan interest rather than deferring all payments until graduation. Often graduates are forced into bankruptcy

due to deferred student loans.

Ultimately, you have a lot of research to complete before diving into the application stage. Do take your time and establish exactly what you are seeking as it makes it all the easier when dealing with the respective loan companies.

Hopefully your loan process will be as painless and easy as your studies shall be.

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About the Author

Steve Rowland is the administrator and web master of <http://www.studentdiscountloans.com> and aims to make it significantly easier for intending students to access higher education. Steven is also the webmaster of <http://www.askcybersteve.com> a site providing guides and free articles.