

Student Loans Lesson

by elcivics.com

Earning a college degree is one of the best things you can do for your future. Workers with college degrees earn much more money than those who only have a high school



diploma. Since few students can afford to pay cash for their college tuition, the federal government and banks lend them money to cover educational costs such as tuition, books, and room and board. Students should apply for a federal student loan before applying for a private loan. In this lesson, you will learn facts and vocabulary words related to finding, qualifying, and applying for a student loan.

What is a student loan?

- A student loan is money you borrow from the federal government, a bank, or a lending institution in order to attend college, a vocational school, or a technical school.
- The money you get from a loan must be paid back.

How do you apply for a student loan?

- You apply for a student loan by contacting your school's financial aid office or a bank and completing and returning the application they send you.
- Some student loan applications can be completed online.

What kind of questions are included on student loan applications?

- Student loan applications ask for general contact information like your address, telephone number, and email address.
- They also ask questions about your income and expected graduation date.

What is interest?

- Interest is money that is added to a loan. It is the "cost" of borrowing money.

- If a student borrows \$10,000 for school, he or she will have to pay back the \$10,000 *plus* interest.

What is the *principal* of a loan?

- The principal is the amount borrowed.
- Interest is computed only on the portion of the principal that is still owed.

What is the Annual Percentage Rate of a loan?

- The Annual Percentage Rate (APR) of a loan is the cost of credit for one year.
- APR is expressed as a percentage. For example, 4% or 7%.

What does the total amount of interest paid depend on?

1. amount borrowed
2. length of time
3. annual rate of interest
4. repayment schedule
5. method used to calculate interest

Should I look for a grant before looking for a loan?

- Yes. Always look for a student grant first.
- Grants do not have to be repaid. They are available through the federal government and state agencies.
- The [Department of Education Student Aid on the Web](#) is where you should start looking for money to pay for your college tuition.