

Tips for Choosing an Education Loan

To be sure you're getting the education loan that's right for your needs, it's important to shop around – and make sure you keep in mind these basics about education loans.

1. A loan advertised as a student loan may still require a co-borrower. Many of these loans also charge a higher variable interest rate.
2. A co-borrower is equally as responsible for a loan as the primary borrower, in most cases. Many traditional private education loans require a co-borrower. Make sure all borrowers on the loan understand how the loan will be repaid, and keep all addresses and contact information current.
3. Deferred loans will cost more than immediate repayment loans. Your monthly payment may be lower by borrowing an immediate repayment education loan, and the overall cost will be significantly less.
4. Variable interest rate loans will likely increase as interest rates begin to rise in the economy. Most fixed interest rate loans charge the same interest rate and monthly payment for the life of the loan, regardless of changes in the credit markets.
5. Fine print matters! Education loans aren't one size fits all, so be sure to research and ask questions to help you decide which loan product is right for your financial situation.

MEFA is a not-for-profit self-financing state authority, not reliant on state or federal appropriation, that works to make higher education more accessible and affordable for students and families in Massachusetts. Nearly 30 years ago, MEFA was created by the state legislature at the request of Massachusetts colleges and universities. MEFA provides community education programs, college savings plans, and low-cost financing options. In its nearly thirty year history, MEFA has issued approximately \$4.2 billion in bonds and has assisted hundreds of thousands of families in financing a college education.

Education Loan Comparison Chart

	Stafford ¹	Perkins Loan	MEFA Undergraduate Loan (Immediate Repayment Option) ²	MEFA Undergraduate Loan (Interest-Only Payment Option) ²	MEFA Undergraduate Loan (Deferment Option) ²	MEFA Student Alternative Loan (Deferment Option) ²	PLUS	Loan #1	Loan #2
Primary Borrower	<input type="checkbox"/> Parent <input checked="" type="checkbox"/> Student	<input type="checkbox"/> Parent <input checked="" type="checkbox"/> Student	Parent as primary borrower; Student as co-borrower	Parent as primary borrower; Student as co-borrower	Parent as primary borrower; Student as co-borrower	Creditworthy co-borrower	<input checked="" type="checkbox"/> Parent <input type="checkbox"/> Student	<input type="checkbox"/> Parent <input type="checkbox"/> Student	<input type="checkbox"/> Parent <input type="checkbox"/> Student
Interest Rate	4.5% Subsidized Undergrad 6.80% Unsubsidized	5.00%	6.89% fixed interest rate during the Anticipated In-School Period, and 7.89% fixed interest rate thereafter (APR ³ 8.00% - 8.36%)	7.19% fixed interest rate during the Anticipated In-School Period; and 8.19% fixed interest rate thereafter (APR ³ 8.25% - 8.64%)	7.69% fixed interest rate (APR ³ 7.60% - 8.27%)	8.29% fixed interest rate (APR ³ 8.12% - 8.88%)	8.50% FFELP 7.90% Direct Lending		
Fees	Up to 1.5% origination fee and default fee	No fees	4% with co-borrower; 7% without co-borrower	4% with co-borrower; 7% without co-borrower	4% with co-borrower; 7% without co-borrower	4% with co-borrower; 7% without co-borrower	3.00% origination fee 1.00% default fee		
Fixed/Variable	<input checked="" type="checkbox"/> Fixed <input type="checkbox"/> Variable	<input checked="" type="checkbox"/> Fixed <input type="checkbox"/> Variable	<input checked="" type="checkbox"/> Fixed ² <input type="checkbox"/> Variable	<input checked="" type="checkbox"/> Fixed ² <input type="checkbox"/> Variable	<input checked="" type="checkbox"/> Fixed ² <input type="checkbox"/> Variable	<input checked="" type="checkbox"/> Fixed ² <input type="checkbox"/> Variable	<input checked="" type="checkbox"/> Fixed <input type="checkbox"/> Variable	<input type="checkbox"/> Fixed <input type="checkbox"/> Variable	<input type="checkbox"/> Fixed <input type="checkbox"/> Variable
Repayment	<input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Deferred	<input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Deferred	<input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Deferred	<input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Interest Only (while in school)	<input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Deferred	<input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Deferred	<input checked="" type="checkbox"/> Immediate <input checked="" type="checkbox"/> Deferred	<input type="checkbox"/> Immediate <input type="checkbox"/> Interest Only (while in school)	<input type="checkbox"/> Immediate <input type="checkbox"/> Interest Only (while in school)
Length to Repay	Up to 10 years	Up to 10 years	The loan must be fully repaid within 15 years of final disbursement. ⁴	The loan must be fully repaid within 15 years of final disbursement. ⁴	The loan must be fully repaid within 15 years of final disbursement. ⁴	The loan must be fully repaid within 15 years of final disbursement. ⁴	Up to 10 years		
Grace Period	6 months after student graduates or ceases to be enrolled at least half-time.	9 months after student graduates or ceases to be enrolled at least half-time.	Interest payment and principal repayment begins 45 days after final disbursement.	Interest payment begins 45 days after final disbursement in any academic year. Principal repayment begins after the end of the undergraduate Anticipated In-School Period. ⁶	Full in school payment deferment. ⁵ Interest payment and principal repayment begin 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school.	Full in school payment deferment. ⁵ Interest payment and principal repayment begin 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school.	For deferred PLUS, 6 months after student graduates or ceases to be enrolled at least half-time, interest will accrue.		
Min/Max Amounts	Min: None Max: ⁷ \$5,500 1st year \$6,500 2nd year \$7,500 3rd-5th years Aggregate Max: \$31,000 (no more than \$23,000 in subsidized)	Min: \$200 Max: Up to \$5,500 for each year of undergraduate study based on financial need. Aggregate Max: \$27,500 for undergraduate programs	Min: \$1,500 for public colleges and universities; \$2,000 for private colleges and universities Max: Up to cost of attendance minus other financial aid received Aggregate Max: None	Min: \$1,500 for public colleges and universities; \$2,000 for private colleges and universities Max: Up to cost of attendance minus other financial aid received Aggregate Max: None	Min: \$1,500 for public colleges and universities; \$2,000 for private colleges and universities Max: Up to cost of attendance minus other financial aid received Aggregate Max: None	Min: \$1,500 for public colleges and universities; \$2,000 for private colleges and universities Max: Up to cost of attendance minus other financial aid received Aggregate Max: None	Min: None Max: Up to cost of attendance minus other financial aid received Aggregate Max: None		
Other	For subsidized Stafford loans, the federal government will pay interest while the student is in school and during the grace periods.	Interest does not accrue during enrollment and grace periods.	Fixed interest rate at a lower rate during the Anticipated In-School Period ⁷ with a step up to a higher fixed interest rate after the end of the Anticipated In-School Period.	Fixed interest rate at a lower rate during the Anticipated In-School Period ⁷ with a step up to a higher fixed interest rate after the end of the Anticipated In-School Period.		The borrower may request co-borrower release after 48 consecutive on-time payments if meeting then-current underwriting standards.	If a borrower chooses to defer PLUS, interest may be paid monthly or quarterly or capitalized quarterly.		
How to Borrow	Visit the financial aid website for your college or university.	Visit the financial aid website for your college or university.	Visit www.mefa.org/collegeloans or call 800.449.MEFA (6332)	Visit www.mefa.org/collegeloans or call 800.449.MEFA (6332)	Visit www.mefa.org/collegeloans or call 800.449.MEFA (6332)	Visit www.mefa.org/collegeloans or call 800.449.MEFA (6332)	Visit the financial aid website for your college or university.		

¹ Interest rates and fees based on Federal Stafford Loans disbursed between July 1, 2010 and June 30, 2011.

² Includes only fixed rate MEFA loans pursuant to programs currently expected to be offered during the 2011-2012 academic year. MEFA education loan availability is subject to MEFA's acceptance and approval of a completed loan application, credit approval and fund availability for the applicable loan category.

³The Annual Percentage Rate (APR) reflects both the accruing interest and the effect of borrowing the origination fee and paying the expected monthly payment over the term of the loan. APR varies with length of deferral and the presence of a co-borrower.

⁴The Interest-Only Payment Option and Deferment Option do not extend the overall repayment period.

⁵Subject to a maximum five-year deferment period.

⁶The undergraduate Anticipated In-School Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan of which the student will have completed his or her current course of study (e.g., for a loan for a freshman, four years from the final disbursement date of the loan), but no later than the fourth anniversary.

⁷Independent students, or students whose parents have been denied the Federal PLUS may be eligible for additional unsubsidized.