Name: **Date:**

Paying for College Without Wrecking Your Future

the borrowing decision that actually matters · Aydin Ali

I'm writing this one from the middle of it. I started at community college specifically because of what's in this handout, not despite it. This is Handout 4 of 6 — the borrowing section from Handout 1, but for the single biggest loan decision most people your age will make.

THE AID STACK

Take it in this order — don't skip ahead

1. **Grants and scholarships.**
   Free money. Always take this first, and apply for more than you think you'll get.
2. **Work-study.**
   A paid, on-campus job, often built around your class schedule.
3. **Federal subsidized loans.**
   The government pays the interest while you're enrolled at least half-time.
4. **Federal unsubsidized loans.**
   Interest starts accruing immediately, even while you're still in school.
5. **Private loans.**
   Worse terms, usually need a cosigner, no income-driven repayment options. Last resort, not a starting point.

THE MECHANISM

Subsidized vs. unsubsidized isn't just a label

On a subsidized loan, interest doesn't accrue while you're in school. On an unsubsidized loan, it starts accruing from day one — and if you don't pay it during school, it can **capitalize**: get added to your principal once you enter repayment, so you end up paying interest on interest. Rough example: $5,000 borrowed unsubsidized at 5% across four years of school adds up to roughly $1,000 in accrued interest, added to what you owe before you've even graduated.

FAFSA

File it every year, regardless of what you think you'll get

Many schools require a filed FAFSA just to be considered for scholarships and work-study — not only loans. Deadlines vary by state and by school, and are often earlier than the federal deadline, so check your specific school's priority date instead of assuming you have until the last minute.

REFERENCE — ESTIMATED MONTHLY PAYMENT PER $1,000 BORROWED

Rate	10-year term	20-year term
5%	~$10.60 / mo	~$6.60 / mo
6%	~$11.10 / mo	~$7.20 / mo
8%	~$12.15 / mo	~$8.35 / mo

If I borrow $__________ at roughly _____% over _____ years, my estimated monthly payment is about $ __________ — multiply the table's per-$1,000 figure by how many thousands you're borrowing.

A SIDE NOTE FROM MY OWN PATH

Community college as a financial strategy, not a fallback

General-education credits cost dramatically less at community college, and if they transfer, the degree you end up with is the same one, regardless of where the first two years happened. That's not a compromise — for a lot of people, it's the actual strategy.

QUESTIONS I ACTUALLY GET ASKED

FAQ

Do I have to pay while I'm still in school?

Generally no for federal loans while enrolled at least half-time — but on unsubsidized loans, interest is still quietly accruing in the background even though you're not making payments yet.

Should I take the maximum loan amount offered?

No. Borrow based on what you actually need. The number in the offer letter is a ceiling, not a recommendation.

What about loan forgiveness or income-driven repayment?

These exist for federal loans, but the rules change over time. Treat forgiveness as a possible bonus if it applies to you later — never as the plan you're borrowing around.

Do private loans ever make sense?

Sometimes, after grants, work-study, and federal loans are exhausted — and only with terms you actually understand. Never as the first option.

QUICK RECAP

- ☐ Grants and scholarships first, private loans last — the aid stack has an order.
- ☐ Subsidized loans don't accrue interest in school; unsubsidized loans do.
- ☐ File the FAFSA every year, regardless of what you expect to qualify for.
- ☐ Don't borrow the maximum just because it was offered.
- ☐ Use the payment table to turn a loan amount into what it actually costs monthly.

TRY THIS BEFORE NEXT SESSION

If you have a financial aid offer, or will soon, use the table on this page to estimate your own monthly payment before accepting anything.