Student Loan Interest Rates on the Rise

June 22, 2017 - Whether you are a college student or the parent of one, if you are using federally backed student loans to attend college the interest rates for new loans are going up this year. It's the first time since 2014 that there has been a rate increase. Ultimately, it means that even if your tuition holds steady, the cost of that degree is increasing.

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Federally backed student loan interest rates are tied by law to the interest rate on the 10 year Treasury note. This year, that interest rate went up 0.69%. That means that if you borrow $25,000 to go to college, over the life of the loan you'll now owe around $900 more than you would have with the old interest rates. But that's only if you start paying back your loans immediately after borrowing the money. Most people don't do that. Instead they defer their payments until after graduation. By the time you factor in the deferral, that will increase the cost by about $350 more.

How much more college will cost you is really dependent upon how much you borrow. It isn't uncommon anymore for students to graduation with considerably more than $25,000 in student loan debt. A little planning before you borrow can make a world of difference in what you owe.

When federal student loans are awarded, they typically allow you to borrow a lot more than you may actually need because they also factor in things like the cost of books, room and board, typical living expenses, etcâ€¦ If you can pay for your books up-front, reduce the amount you are borrowing. If you can get some assistance from your parents for living expenses or even to cover your rent, reduce the amount you are borrowing even more. And if you are also planning on getting a job and paying for some expenses that way, another reduction in the amount borrowed is in order.

No, you may not be able to afford to do everything your peers are doing right now, but you won't be faced with crushing debt - as many of them will be - upon graduation.

Student loan debt is a very big deal. Many graduates find that they can't get a job that will really allow them to pay down their debt after graduation. Others find that their debt prevents them from doing some of the things they had always planned on, like buying a house or starting a family. Students nationwide now owe well over $1 Trillion for their student loans. The whole purpose of getting a college education is to lead a better life. It isn't to be mired in debt for the rest of your life. Just keep that in mind when you are borrowing.

If you want to calculate the cost of a student loan you can find a calculator here. And if you want to calculate the cost of deferring payment, you can find a calculator here.
byJim Malmberg
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