THE COMPLETE GUIDE TO STUDENT LOANS FOR COLLEGE

Juno

INDEX

TWO TYPES OF STUDENT LOANS: FEDERAL & PRIVATE

FEDERAL STUDENT LOANS

Federal student loans are offered by the federal government, whereas private student loans are offered by private lenders (Juno partners with the best private lenders).

While there are many types of federal student loans, U.S. Citizens and eligible non-citizens pursuing their degree can typically access Direct Unsubsidized + Subsidized Loans and Parent PLUS loans.

All federal student loan interest rates and fees are set on July 1st of each year and remain fixed for the life of the loan. Federal loans come with a standard repayment schedule and offer a wide range of repayment assistance options.

Typically, undergraduate students hit their cap on Stafford loans (subsidized + unsubsidized) and then the family decides whether to take out Parent PLUS or private loans for the rest. Parents with good credit scores (650+) tend to gravitate towards private since they can get better rates on that market.

For loans disbursed on or after July 1st 2023 and before July 1st 2024, the federal interest rates and fees, as set by the May Treasury auctions, are as follows:

	Federal Direct Loans	Parent PLUS loans
Maximum Loan Amount	Varies, $5,500 and up	Up to Cost of Attendance minus other aid received
Interest Rate	5.50%	8.05%
Origination Fee	1.057%	4.228%

2024-2025 RATES

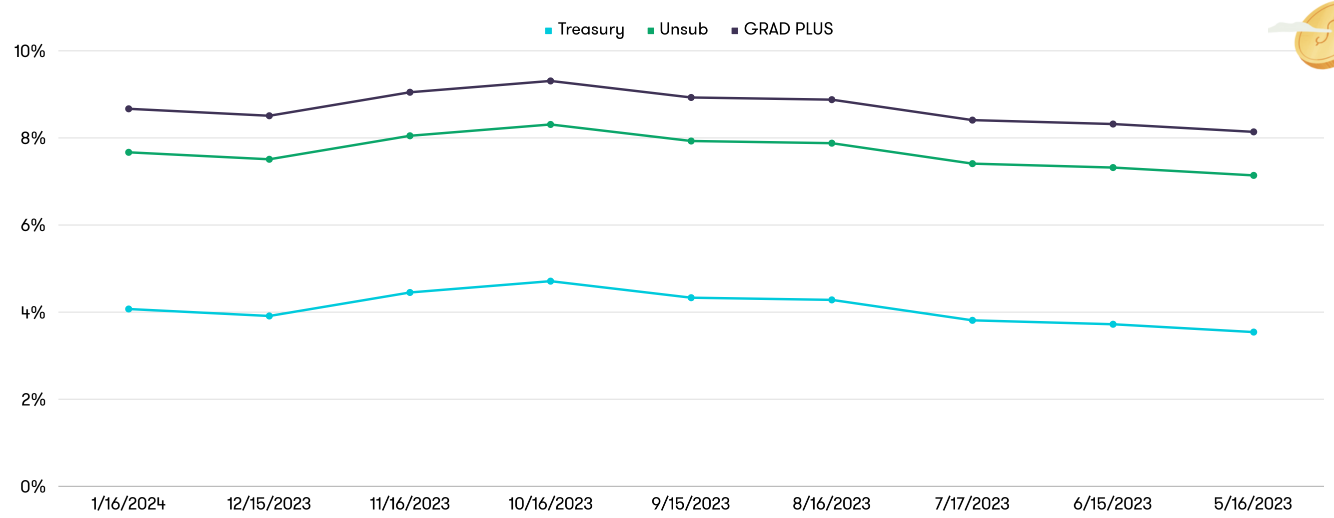
WHAT DO WE EXPECT FOR 2024-2025 RATES?

As of this writing, it's too early to say (and no one can know for sure), but we can provide some data to help you estimate.

Since rates are set via the 10-year Treasury note each May, it's possible to take the current rate and calculate what each federal student loan would be if they were to set the rates today.

For instance, as of this writing, the T-note is at 4.07% meaning that the Parent PLUS Loan would result in a 8.67% rate if calculated at this precise moment in time (January 16th, 2024).

Below, you can see how rates are trending to get a better sense of the market.



TWO TYPES OF STUDENT LOANS: FEDERAL & PRIVATE

What's an origination fee?
Essentially, you have to borrow $10,105.70 to receive $10,000 for school through a Direct Unsubsidized loan. And you have to borrow $10,422.80 to receive $10,000 for school through a Direct PLUS loan.

To apply for federal student loans, students must complete the Free Application for Federal Student Aid (FAFSA).

WHAT'S THE DIFFERENCE?

Federal student loans do not screen creditworthiness (or the ability to repay), whereas private student loans include a credit review to determine the borrower's anticipated ability to pay.

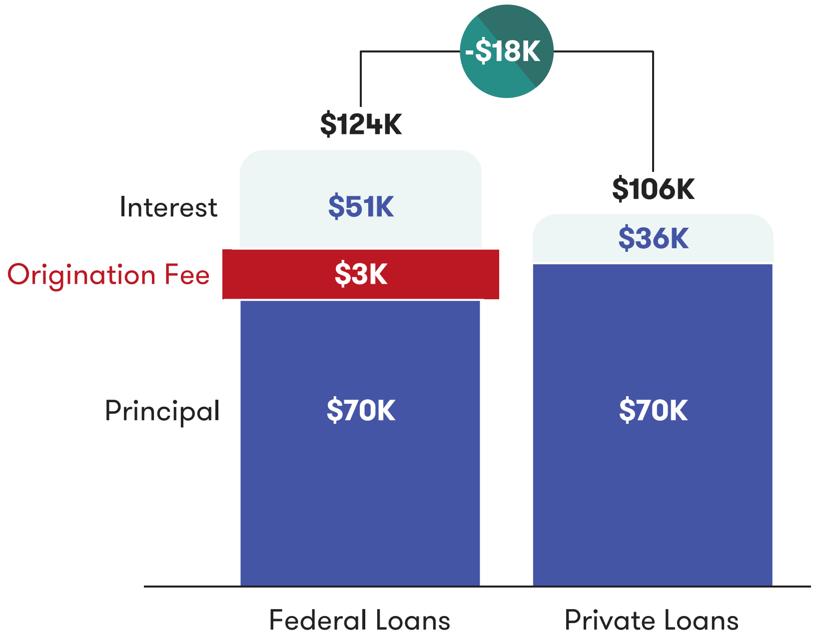
Additionally, there are benefits unique to the federal program such as Income Driven Repayment Plans and Public Service Loan Forgiveness.

As always, there is a tradeoff. If you have good credit, going with private loan options could save you thousands of dollars in interest and origination fees, though you will lose some federal loan repayment protections.

Take, for example, someone borrowing $70K a year to pay for their degree (the average loan volume in the Juno dataset).

If you have a good credit score (650+), private student loans can often offer lower interest rates and fees than federal loan options.

TWO TYPES OF STUDENT LOANS: FEDERAL & PRIVATE



A qualified borrower with good credit could save ~$18k over the life of a 10-year loan .[1]

PRIVATE STUDENT LOANS

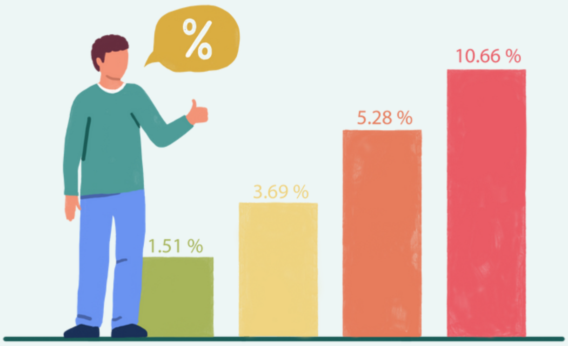
To apply for private student loans, students must apply directly through various lenders. After you submit an application and receive approval for a private student loan, you typically will be presented with multiple options such as:

1. Variable or Fixed Interest rates
2. Loan term (also known as Repayment Term)
3. Repayment Plan

In addition, you will see the interest rates offered to you as well as any fees associated with the loan. It's important to understand what you're choosing between. The following sections will help you understand any student loan options presented to you.

[1] Assumes 10 year fixed interest rate and fully deferred payments with a 30 month grace period. Example interest rate is 6%. Comparable federal loans based on the expected rates after July 1st, 2022 and before July 1st, 2023. Numbers rounded to nearest thousandth.

INTEREST RATES AND FEES



INTEREST RATES

When it comes to the actual interest rates, don't assume that all lenders' rates are the same. Some lenders offer better pricing than others.

At Juno, we got multiple lenders to compete against each other and negotiated lower interest rates. To learn more, visit joinjuno.com.

FEES

All private student loan lenders do not charge the same fees. Some lenders may charge:

APPLICATION FEES

A fee charged by a lender to apply for the loan.

ORIGINATION FEES

A fee charged by a lender when you first take out a loan.

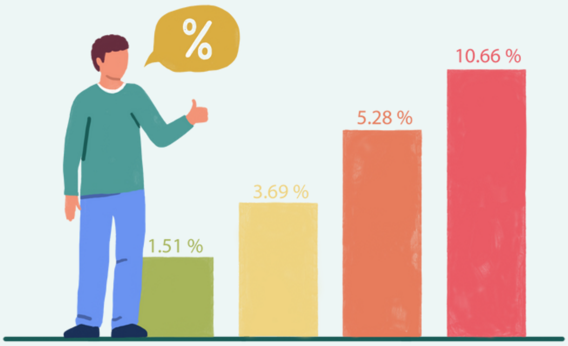
PREPAYMENT PENALTIES

A prepayment penalty is a fee you'll have to pay if you pay back your loan ahead of the predetermined schedule.

Caution:
Some lenders may not make certain fees very obvious. Ensure you call the lender and ask them specifically if they have any application fees, origination fees or prepayment penalties.

At Juno, we screen our partner lenders and make sure that they do not charge any of these fees. No application fees, no origination fees and no prepayment penalties.

INTEREST RATES AND FEES



VARIABLE VS. FIXED INTEREST RATES

A variable interest rate can fluctuate over the course of your repayment period as the index selected by the lender fluctuates up or down. The most common index used for student loans is the Secured Overnight Financing Rate (SOFR) index. As this changes, so will your interest rate.

A fixed interest rate remains the same for the life of the loan. The interest rate you receive when you take out the loan will be the same interest rate you have throughout the entire repayment period.

While the variable interest rate may be cheaper on the day of your application, you should consider your personal tolerance for the risk that it could go up or down over the years.

At Juno, our partners allow you to choose from competitive Variable and Fixed Rate options. However, most members prefer fixed student loans at this point in time.

A Bit More About Interest

Interest accrues on the loan as soon as it is disbursed to the school. Any time a payment is made (whether scheduled or extra), the payment will first pay off any accrued interest. Interest accrues daily. If the payment exceeds the accrued interest by that date, then the remaining amount will go to your principal balance.

With that said, your minimum payment amount for the interest-only plan is designed to completely pay about 30 days' worth of interest, so an extra payment scheduled on the due date would typically go 100% towards the principal. Paying the loan off early can help reduce the total interest paid over the lifetime of the loan.

WHAT WOULD WE DO?

THE PLANNING PROCESS

The first thing to decide is whether student loans make sense. Often, folks don't have a choice – they need to take out loans. Sometimes, people weigh the difference between using savings or loans and end up taking out loans if they can get a competitive rate.

If you've decided to take out a loan, there are a few considerations.

WHEN

It's good that you've started thinking about your plan in advance. You don't need to start the actual application process until about a month prior to the tuition billing due date (set by the school). If you're starting school in the fall, beginning the application process in July is fairly standard.

WHAT

Most folks end up going with a 10 year, fixed loan with no payments while in school. However, there's an important consideration: that repayment plan is usually the most expensive.

Instead, consider a flat or interest only repayment option so you're already paying a bit less in interest and can take advantage of the autopay discount immediately.

Where does the money go?
Funds are sent from our lending partner to your school. You can take out up to the cost of attendance minus any aid, so it's possible to use a loan to pay for housing, a computer, etc.

If you want to use some of the loan to pay for living expenses, expect to receive a check from the school after they receive the loan.

REPAYMENT OPTIONS

LOAN TERM OR REPAYMENT TERM

The loan term is the amount of time you will take to repay the loan. Paying the loan back sooner will result in a lower overall total cost, but it will also result in larger monthly payments. Choosing a longer term will help you manage your monthly payment, but it will be more expensive overall. The terms offered by lenders vary, and some lenders assign you a term without giving you the choice.

At Juno, our partners often allow you to choose from a wide variety of terms: 5 Years, 7 Years, 10 Years, 15 Years or 20 Years.

REPAYMENT OPTIONS

The biggest decisions when it comes to choosing a repayment option are:

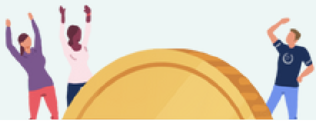
1. Whether you want to make payments while you are in school or defer repayment until you graduate.
2. How much you want your monthly payments to be while you are in school

Making in-school payments helps reduce the overall cost of the loan as you start paying down interest sooner. Some lenders will give you more options than others.

At Juno, our partners allow you to choose from a wide variety of repayment options:

1. **Fully Deferred (or no payments in school)**
2. **Flat (or $50 monthly payments in school)**
3. **Interest Only (or interest payments in school)**
4. **Full Repayment In School (or principal and interest payments in school)**

GETTING THE LOWEST RATES



AUTO PAY DISCOUNTS

Many, but not all lenders, will offer an Auto Pay Discount. An Auto Pay Discount can reduce your interest rate for making payments using automatic payments.

Reminder: The Auto Pay Discount usually only applies when you have payments due. If you select a repayment plan which does not have payments due in school, the auto pay discount only begins after you've graduated and entered repayment.

Juno partners often offer these.

SPECIAL DISCOUNTS

Some lenders will offer unique opportunities to reduce your interest rate even further. For example, you may see a "relationship discount". A relationship discount can reduce your interest rate for using additional products or services offered by the same lender.

CO-SIGNERS

A co-signer is a person who is obligated to pay back the loan just as you, the borrower, are obligated to pay. Typically on undergraduate loans, the student takes out the loan and the parent cosigns. Loans that are just in the parent's name can be more expensive.

Once the student graduates, it's common to refinance all the loans into one and put it into the child's name.

> Since the parent is cosigning, it's fine for the student to not have a credit score yet. Lenders primarily evaluate the creditworthiness of the parent.

THE PRIVATE STUDENT LOAN PROCESS

Normally it is best practice to start the application process at least 30 days before your program's tuition due date. That being said, some students are able to get through the entire process within a week.

Interest on your loan doesn't start to accrue until the funds are disbursed, generally a few weeks before the start of classes, so there is also no downside to getting started early.

Here are the steps involved:

1- Apply and check your rates on the lender's website (2 to 15 minutes)

You'll enter your personal information, school information, and your requested loan amount in order to apply for a loan.

When applying with a co-signer, you'll either ask the lender to contact your co-signer for their information or you can enter their information at the same time you enter your information.

Some lenders will give you a preliminary rate estimate without pulling a hard credit check.

2- Get your approval decision (Instant to 3 days)

Once you submit your application, the lender will typically do a hard credit check. This allows lenders to, among other factors, determine whether to approve you for the loan and what your rates will be.

Some lenders have an instant process, while others require a manual check which can take a few days.

The result will come back with one of 3 results: approved, denied, or eligible with a creditworthy co-signer.

THE PRIVATE STUDENT LOAN PROCESS

3- Accept and sign your loan terms

If you are approved, your next step is to choose your loan terms and accept the loan.

This is where you are able to choose between variable and fixed interest rates, and different repayment options (loan term and in-school payment plans).

You'll sign the remaining documents to confirm the terms and conditions.

4- Wait for school certification

The rest of the process generally occurs between the lender and your school (unless there are any issues you need to be notified about).

During certification, the school approves your enrollment status, anticipated graduation date, and loan amount requested compared to your cost of attendance (COA). Schools can either certify the loan as is, or request changes based on the student's status.

Some schools require you to confirm before they can certify your loan. Be sure to check both your student portal and email to see if there are any action items for you to complete.

The process takes between 1 day to 2 weeks, but could take longer depending on how early you apply (some schools won't start certifying until tuition bills officially come out) and your school's certification process. We recommend calling your financial aid office for guidance.

THE PRIVATE STUDENT LOAN PROCESS

5- Your funds are disbursed

Loan disbursement is how your school receives the funds to pay for your education. Typically, the lender sends funds directly to your school, they are not sent to you.

For most schools the disbursements will be sent once per semester, if you applied to cover more than one term. Universities set their own disbursement dates, which are normally around the beginning of the semester.

Any loan amount you have requested above the cost of tuition would be transferred to you by the school. This is commonly known as a “refund” back to you and can be used for things like rent and textbooks.

Interest on your loan doesn’t start to accrue until the funds are disbursed, and if there are multiple disbursements interest only accrues on funds already disbursed.

6- Repaying your student loans

Payments for your loan are made through your chosen lender’s portal.

Depending on the repayment plan you have chosen, you may need to start making payments as soon as you start school (in-school payments) or you may not need to make any payments until after you graduate (deferred payments).

Most lenders offer an auto-pay discount, so you can sign up for auto-pay now to lock in a lower rate.

MAKE AN INFORMED DECISION

We hope this guide has equipped you with enough knowledge to make an informed decision about your student loans.

If you have any questions that weren't answered here, drop us a note at hello@joinjuno.com and let us know. We'd be happy to help.

To learn more about the student loan offers Juno has negotiated, visit joinjuno.com

OUR GUARANTEE

If you believe you've found a lower rate from a long list of eligible lenders, just tell us about it using this link: juno.us/match

We will likely able to match your terms and give you an additional bonus.

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