What are Student Loan Types?

Worksheet

Federal student loans are government-funded with fixed rates and flexible repayment; private loans come from banks at variable rates with stricter repayment terms.

Questions

1. Which loan type has fixed interest rates?
A) Private loans
B) Federal loans
C) Both equally
D) Neither

2. How many payments for Public Service Loan Forgiveness?
A) 60
B) 100
C) 120
D) 180

3. Income-Based Repayment caps payment at what % of discretionary income?
A) 5%
B) 10%
C) 15%
D) 20%

4. Private student loans typically offer…
A) Lower interest rates
B) Income-driven plans
C) Longer grace periods
D) Higher interest rates

5. Federal loan $30,000 at 5% over 10 years. Estimate monthly payment.

6. Income-driven repayment: 60,000 income,25,000 loan. Estimated payment?

7. Private loan $20,000 at 8% variable, 7-year term.

8. Define: What's the difference between federal and private student loans?

9. Define: What is income-driven repayment?

10. Define: Do federal loans have a grace period?

Answer Key

1. B) Federal loans — Federal loans lock in fixed rates; private loans often use variable rates.
2. C) 120 — 120 on-time payments (10 years) working for a qualifying employer.
3. B) 10% — IBR limits payments to 10% of discretionary income (older PAYE is 20%).
4. D) Higher interest rates — Private loans usually charge more and lack federal protections.
5. Use standard repayment formula or online calculator. Approx: 30,000 ÷ 120 months =250/month + interest. With 5% interest, closer to $283/month.
6. Income-Based Repayment (IBR): 10% of discretionary income. Discretionary = 60,000 −23,425 (federal poverty line) = 36,575. Payment ≈ 10% ×36,575 ÷ 12 = ~$304/month.
7. Monthly rate = 8% ÷ 12 = 0.667%. Monthly payment ≈ 20,000 × 0.00963 = ~193/month (simplified).
8. Federal: government-backed, fixed rates, flexible repayment. Private: bank loans, variable rates, stricter terms.
9. A plan where monthly payments are based on your income, not the loan amount. Remaining balance forgiven after 20–25 years.
10. Yes — typically 6 months after graduation before repayment starts.