

The following charts show the benefit of paying in-school interest rather than capitalizing it. For simplification purposes, the following assumptions are used:

1. A constant interest rate of 7 percent (in reality most student loans have variable interest rates).
2. The entire loan amount is given to the borrower at the beginning of the year (usually equal portions of the loan are given to the borrower at the start of each term).
3. Interest is paid quarterly while in school for four (4) years and monthly for one (1) year after leaving school.
4. Interest is capitalized annually (frequency of capitalization will vary by lender).

**Reminder:** The actual cost difference between the SELF Loan and other student loans will vary depending upon such things as the loan amount, disbursement dates, interest rates, repayment terms and interest capitalization frequency.

### Example 1. SELF Loans No Interest Capitalized

	Loan Amount	Cumulative Principal Balance	Quarterly Payment Amount	Annual Interest Paid
Year 1 Loan	\$7,500	\$ 7,500	\$131.25	\$ 525.00
Year 2 Loan	7,500	15,000	262.50	1,050.00
Year 3 Loan	7,500	22,500	393.75	1,575.00
Year 4 Loan	7,500	30,000	525.00	2,100.00
Year 5 No Loan	0	30,000	175.00 Monthly	2,100.00
Total Interest Paid for Years 1-5			\$ 7,350.00	
Total Principal and Interest Cost for 14 years (\$280.62/Month)			47,144.16	
Total Principal and Interest Payments Over Life of the Loans			54,494.16	
<b>Total Interest Paid Over Life of \$30,000 Loans</b>			<b>24,494.16</b>	

### Example 2. Sample Loan with Interest Capitalized

	Loan Amount	Cumulative Principal Balance (Including Capitalized Interest)
Year 1 Loan	\$7,500	\$ 8,025.00
Year 2 Loan	7,500	16,611.75
Year 3 Loan	7,500	25,799.57
Year 4 Loan	7,500	35,630.54
Total Interest Paid for Year 5 (\$207.84/Month)		\$ 2,494.08
Total Principal and Interest Cost for 14 Years (\$333.28/Month)		55,991.04
Total Principal and Interest Payments Over Life of the Loans		58,485.12
<b>Total Interest Paid Over Life of \$30,000 Loans</b>		<b>28,485.12</b>

<b>Interest Saved by Making In-School Payments</b>	<b>\$3,990.96</b>
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