EVERFI®

Lesson Plan

Pathways: Financing Higher Education™

Student Loan Basics

45 minutes with 15-minute extension

Prerequisite: Student Loan Basics

INSTRUCTIONS

Each digital lesson is supplemented with a follow-up synchronous lesson plan to extend and reinforce learning. Activities and questions are structured in a way that supports both in-person and virtual classroom settings.

OBJECTIVES

Students will be able to…

- Compare and contrast subsidized and unsubsidized loans.
- Compare and contrast federal and private student loans.
- Differentiate between parent loans and student loans with cosigners.
- Identify investment accounts available for financing higher education, including 529 plans and Coverdell ESAs.

MATERIALS

In-Person Lesson

- Pencils/Markers
- Printed article and student handout
- Notebook or poster paper
- Computers, laptops, or tablets

Virtual Lesson

- Computers, laptops, or tablets
- Article and student handout delivered via online learning platform
- Virtual Venn diagram template

LESSON OVERVIEW

In this digital lesson, students learn how loans work by exploring different types of loans and their associated fees. Upon completion of this lesson, they will be able to evaluate the best type of student loan for their own needs and who to contact for additional guidance.

STANDARDS ADDRESSED

Jump$tart National Standards for Personal Financial Education (2021)

- Credit 12-5a. Compare federal and private student loans based on interest rates, repayment rules, and other characteristics.
- Credit 12-5b. Describe the process of applying for a student loan.

SECTION	DESCRIPTION	FORMAT	DURATION
Opening	Discuss the learning from digital lesson: Based on what you learned from Lesson 3, what factors might be important to consider before taking out a student loan? Potential Answers: • Starting salary in desired career to determine repayment ability • Interest Rates, Loan Fees, etc. • Whether or not a co-signer needed • Knowing the total amount needed after receiving financial aid package	Virtual: **Answer** individually. **Respond** in chat or in virtual breakout groups. In-Person: **Discuss** with a partner. **Share out** with the class.	2 mins
New Learning	Split class into small groups of 2–3 students. Each small group will read the following article: Student Loans: Choosing a Loan that's Right for You Students should consider risks and benefits of student loans while reading.	Virtual: **Read** in virtual breakout groups or individually. **Discuss** as a virtual class. In-Person: **Read** in small groups, partners, or individually. **Discuss** as a class.	8 mins
Activity	Explain to students that they will be analyzing the risks and benefits of the different types of student loans options through internet research. Group Pairings: 1. Federal Direct Subsidized Loans	Virtual: **Research** in virtual breakout groups, partners or individually. **Create** in virtual breakout groups, partners or individually. **Discuss** findings as a virtual class.	25 mins

SECTION	DESCRIPTION	FORMAT	DURATION
Activity (cont'd)	2. Federal Direct Unsubsidized Loans 3. Parent PLUS Loans 4. Private Student Loans Students will create posters for their assigned loan type. Posters should emphasize the risk and benefits of the loan type, including, but not limited to: • Student Loan Interest Tax Deduction • Repayment terms, forbearance, and deferment options • Grace Period • Loan Forgiveness Students should activate prior knowledge from digital lesson 3 and the article read for New Learning to complete this activity. Students can also use the following websites as an additional resource: • Edvisors – Compare Undergraduate Student Loan Options • CFPB – Choosing a loan that's right for you Showcase Posters with Gallery Walk: Students showcase their posters through a Gallery Walk. All students should observe the risks and benefits of each student loan type. Encourage students to ask questions at the end of the gallery walk.	In-Person: **Research** in small groups, partners, or individually. **Create** in small groups, partners or individually. **Discuss** findings as a class. **Note on Gallery Walk: For virtual class meetings, students can create their Venn Diagrams using Microsoft Word or Google Docs then share the link with the class so that all students have access to view each Venn Diagram virtually.*	
Discussion	Discuss observations from the Gallery Walk. • What were some of the risks and benefits of each student loan type that stuck out to you the most? • Which student loan type has the most benefits? Least benefits? Most risk? Least risk?	Virtual: **Answer** individually or in virtual breakout groups. In-Person: **Discuss** with a partner. **Share out** with the class.	5 mins

SECTION	DESCRIPTION	FORMAT	DURATION
Closing	"Great work everyone! Today we learned even more about each type of student loan. We focused on the risks and benefits of each. It is important to think about both the risks and benefits before taking out a loan and when shopping around for student loans."	**Formalize learning** with the whole group.	1 min
Evaluation	At the end of the lesson, have students answer this question as an exit ticket: If you needed to consider taking out a student loan, rank the factors that would influence your decision in order of importance: • Interest Rate • Loan Fees • Co-signer needed • Repayment Ability	**Assess** individually.	4 mins
Extension	Students will read about two education investment accounts: 529 plans and Coverdell ESAs. They will examine a chart comparing these accounts and answer questions about each.	**Assign** homework or **complete** as an in- class extension.	15 mins
Optional Home Discussion	Discuss the 'Student Loan Basics' questions in the Parent/Guardian discussion guide tonight. 1. If there is a gap between total cost of attendance and what we have saved or scholarships/grants earned, will we consider taking out student loans? 2. What type of student loans will we consider first? 3. How can we prepare in advance to repay these loans?	**Discuss** with family.	15-20 mins

EXTENSION ACTIVITY: Answer Key

Which type of account gives families more flexibility for the money they contribute and when the beneficiary can withdraw the money? Why might this be important when choosing between accounts?

529 Plans have more flexibility because the annual contribution limit is higher and there is no age limit on when the beneficiary can withdraw the money. This might be important for families who want to contribute more money and aren't sure when their child pursue higher education.

Why is it often a better idea to put money for education costs in an investment account instead of a regular savings account?

It's a good idea to use an investment account for long-term savings since investments often allow the money to grow over time. In a savings account the money will only earn a small amount of interest.

Amina lives with her mom, who is single and makes $120,000 per year. Her mom wants to put $10,000 per year into an education savings account. What type of account should she use? Explain.

Amina's mom should choose a 529 plan because she makes over the Coverdell income limit for a single parent and wants to contribute more than $2,000 per year.