

FEDERAL STUDENT AID

Loan Programs Fact Sheet

www.FederalStudentAid.ed.gov

Will you need a loan to attend college? If so, think Federal Aid First. Federal student loans usually offer borrowers lower interest rates and have more flexible repayment options than private student loans.

1. *What is a federal student loan?*

Federal loans are borrowed funds that you must repay with interest. A federal student loan allows students and their parents to borrow money to help pay for college through loan programs supported by the federal government. They have low interest rates and offer flexible repayment terms, benefits, and options.

Federal student loans are delivered to students through two programs: the William D. Ford Federal Direct Loan Program (Direct Loan Program) and the Federal Family Education Loan Program (FFEL Program). Both programs offer the same type of loans with similar loan terms and benefits. In the Direct Loan Program, the U.S. government is the lender while in the FFEL Program, private lenders provide loan funds that are guaranteed by the federal government. Your school chooses the loan program in which it will participate. In both programs, loan funds are provided to you through your school.

2. *What is a private student loan?*

A private student loan is a nonfederal loan issued by a lender such as a bank or credit union. Private student loans often have variable interest rates, usually require a credit check and do not provide the benefits of federal student loans. If you're not sure whether you're being offered a private loan or a federal loan, look at the name of the loan: is it called a Stafford Loan or a FFEL loan? If so, it should be federal. If not, just ask the financial aid office at your school.

3. *Why are federal student loans a better option for paying for college?*

Federal student loans offer borrowers many benefits not typically found in private loans. These include low fixed interest rates, income-based repayment plans, loan forgiveness and deferment options, including deferment of loan payments when a student returns to school. For these reasons, students and parents should always exhaust federal student loan options before considering a private loan.

See the next page for the specific kinds of federal student loans that are available.



4. What kinds of federal student loans are available?

Federal Loan Program	Program Details	Annual Award Limits (subject to change)
Federal Perkins Loan	<ul style="list-style-type: none"> Your college is the lender; payment is owed to the college that made the loan For undergraduate and graduate students Interest charged on this loan is 5 percent Funds depend on student's financial need and availability of funds at the college Not all colleges participate in the Federal Perkins Loan program 	<ul style="list-style-type: none"> Undergraduate students - up to \$5,500 Graduate and professional degree students - up to \$8,000
Subsidized Direct or FFEL Stafford Loan	<ul style="list-style-type: none"> Lender pays interest while students are in college and during grace and deferment periods Must be at least a half-time student Must have financial need For undergraduate and graduate students 	<ul style="list-style-type: none"> Between \$3,500 and \$8,500 Depends on grade level
Unsubsidized Direct or FFEL Stafford Loan	<ul style="list-style-type: none"> Borrower is responsible for the interest on the loan while in college and during grace and deferment periods Must be at least a half-time student For undergraduate and graduate students 	<ul style="list-style-type: none"> Between \$5,500 to \$20,500 (less any subsidized amount received for the same period) Depends on grade level and dependency status
Direct or FFEL Parent PLUS Loan	<ul style="list-style-type: none"> For parents of dependent students Borrower is responsible for all the interest Must not have negative credit history 	Maximum amount is cost of attendance minus any other financial aid the student receives
Direct or FFEL PLUS Loans for Graduate and Professional Students	<ul style="list-style-type: none"> For graduate and professional degree students Borrower is responsible for all the interest Must not have negative credit history Must have applied for your annual loan maximum eligibility under the Federal Subsidized and Unsubsidized Stafford Loan Programs before applying for a Graduate/Professional PLUS loan 	Maximum amount is cost of attendance minus any other financial aid the student receives

For additional information on federal student aid, call 1-800-4-FED-AID or visit www.FederalStudentAid.ed.gov/funding.

April 2009

