

FEDERAL STUDENT AID

Loan Programs Fact Sheet

www.studentaid.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 terms and 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.

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. If you're not sure whether you're being offered a private loan or a federal loan, check with 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, cancellations for certain employment, and deferment (postponement) options, including deferment of loan payments when a student returns to school. Also, private loans usually require a credit check. For these reasons, students and parents should always exhaust federal student loan options before considering a private loan.

See the next page for the types of federal student loans available.

For additional information on federal student aid, visit www.studentaid.ed.gov/funding or call 1-800-4-FED-AID (1-800-433-3243).

4. What kinds of federal student loans are available?

Federal Loan	Loan Details (subject to change)	Annual Award Limits (subject to change)
Federal Perkins Loan	<ul style="list-style-type: none"> For undergraduate and graduate students Funds depend on student's financial need and availability of funds at the college Interest is 5% College is the lender; payment is owed to the college that made the loan 	<ul style="list-style-type: none"> Undergraduate students: up to \$5,500 Graduate and professional degree students: up to \$8,000
Direct Subsidized Loan	<ul style="list-style-type: none"> For undergraduate students who are enrolled at least half-time* and demonstrate financial need Interest is 3.4% for loans made between July 1, 2012 and June 30, 2013 Student is not charged interest on the loan while in school and during deferment periods The U.S. Department of Education (ED) is the lender; payment is owed to ED 	Between \$3,500 and \$5,500 depending on year in school
Direct Unsubsidized Loan	<ul style="list-style-type: none"> For undergraduate and graduate students who are enrolled at least half-time* Interest is 6.8% Student is responsible for interest during all periods ED is the lender; payment is owed to ED 	Between \$5,500 to \$20,500 (minus any subsidized amount received for the same period) depending on year in school and dependency status
Direct PLUS Loan for Parents	<ul style="list-style-type: none"> For parents of dependent students Dependent students must be enrolled at least half-time* Interest is 7.9% Parent must not have negative credit history Parent is responsible for interest during all periods ED is the lender; payment is owed to ED 	Maximum amount is cost of attendance* minus any other financial aid the student receives
Direct PLUS Loan for Graduate or Professional Students	<ul style="list-style-type: none"> For graduate or professional degree students who are enrolled at least half-time* If the student has not requested the annual maximum Unsubsidized Stafford Loan amount they are eligible for, the school must notify the student of this eligibility and give them the opportunity to request it Student must not have negative credit history Interest is 7.9% Student is responsible for interest during all periods ED is the lender; payment is owed to ED 	Maximum amount is cost of attendance* minus any other financial aid the student receives

*For definitions of these and other terms, visit www.studentaid.ed.gov/glossary.

June 2012

