

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.

Beginning July 1, 2010, all new Stafford and PLUS loans will be made under the William D. Ford Federal Direct Loan Program (Direct Loan ProgramSM). In the Direct Loan Program, the U.S. government is the lender, and loan funds are provided to students through their 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 higher interest rates and loan fees than federal loans, 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: does it include the word "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, cancellations for certain employment, and deferment (postponement) 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% Funds depend on student's financial need and availability of funds at the college 	<ul style="list-style-type: none"> Undergraduate students: up to \$5,500 Graduate and professional degree students: up to \$8,000
Direct Subsidized Stafford Loan	<ul style="list-style-type: none"> Must be at least a half-time student Must have financial need For undergraduate and graduate students Borrower is not charged interest while in college and during grace and deferment periods Interest charged on this loan is 4.5% for undergraduate students and 6.8% for graduate students The U.S. government is the lender; payment is owed to the U.S. government 	<ul style="list-style-type: none"> Between \$3,500 and \$8,500 depending on grade level
Direct Unsubsidized Stafford Loan	<ul style="list-style-type: none"> Must be at least a half-time student For undergraduate and graduate students Borrower is responsible for all interest on the loan including while in college and during grace and deferment periods Interest charged on this loan is 6.8% The U.S. government is the lender; payment is owed to the U.S. government 	<ul style="list-style-type: none"> Between \$5,500 to \$20,500 (less any subsidized amount received for the same period) depending on grade level and dependency status
Direct PLUS Loans for Parents	<ul style="list-style-type: none"> For parents of dependent students Borrower is responsible for all the interest Interest charged on this loan is 7.9% Must not have negative credit history The U.S. government is the lender; payment is owed to the U.S. government 	Maximum amount is cost of attendance minus any other financial aid the student receives
Direct 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 Interest charged on this loan is 7.9% Must not have negative credit history Must have applied for annual loan maximum eligibility under the Subsidized and Unsubsidized Stafford Loan Programs before applying for a Graduate/Professional PLUS Loan The U.S. government is the lender; payment is owed to the U.S. government 	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.studentaid.ed.gov/funding.

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