



## Federal Student Loans 101

The Federal Government makes available several types of low-interest loans to help students pay college costs. According to the U.S. Department of Education, 10 million students attending 6,200 postsecondary institutions borrowed Federal education loans in 2007.

Unlike grants and scholarships, **loans must be paid back by the borrower.**

When used responsibly, student loans help borrowers establish or improve credit histories while providing the money necessary to pay college costs and earn a degree – an investment that has huge payoffs, not the least of which are increased lifetime earnings.

### Types of Federal loans:

In addition to other forms of financial aid (such as grants, work-study, and outside scholarships), several Federal student loan options are available to students and parents.

- **Stafford Loans** are low-interest loans to help students pay their college costs. Two types of Stafford Loans are available:
  - subsidized Staffords: need-based loans in which the Government pays the interest on the loans while the student is in school, and
  - unsubsidized Staffords: non-need-based loans in which the Government **does not** pay interest while the student is in school.
- **PLUS Loans** are available to parents to help pay for the education expenses of a child who is a dependent undergraduate student enrolled at least half time. To calculate the maximum parent PLUS loan amount that you may be eligible to receive on behalf of a student, subtract from the student's cost of attendance any other financial aid (such as Stafford loans, scholarships, and outside aid) that the student is eligible to receive.
- **GRAD PLUS Loans** are available to graduate and professional students who are enrolled at least half time. Unlike parent PLUS applicants, GRAD PLUS borrowers must file a FAFSA form. To calculate the maximum GRAD PLUS loan amount for which you are eligible, subtract from your cost of attendance any other financial aid (such as Stafford loans, scholarships, and outside aid) that you are eligible to receive.
- **Perkins Loans** are low-interest loans (a fixed rate of 5 percent) available at some institutions to undergraduate and graduate students who demonstrate financial need.
- **Direct Loans** are student loans made by the U.S. Department of Education (instead of a private lending institution) under the William D. Ford Federal Direct Student Loan Program.

# Applying for Federal Student Loans

In order to apply for Federal student loans, as well as other forms of Federal financial aid and most State and school financial aid, you will need to fill out the [Free Application for Federal Student Aid \(FAFSA\)](#). Using a standard Federal formula, the FAFSA determines the amount that you and your family are expected to contribute toward your college costs.

You can begin applying for financial aid through the FAFSA form between January 1<sup>st</sup> and through June 30<sup>th</sup> of the following calendar year.

- Apply as soon as possible after January 1<sup>st</sup> in order to meet all school and State financial aid deadlines.
- Be sure to ask your institution's financial aid officer if there are any forms that your school may require you to fill out in addition to the FAFSA.
- Remember that applying for Federal student aid through the FAFSA is **FREE**, hence the name "**FREE** Application for Federal Student Aid."

You will need to re-apply for financial aid each new academic year for which you seek aid. To ease the process of re-applying for aid, you will receive a "Renewal Application" that contains pre-printed information from the FAFSA you submitted the previous year. Be sure to apply as soon as possible after January 1<sup>st</sup> to ensure that you meet all deadlines in your State and at your institution.

## Things to Keep in Mind...

You do not need to pay for help finding the money you need to go to college. People are willing to help you **for free**. Contact your school guidance counselor, your institution's financial aid officer, or a [nonprofit student loan provider near you](#) for information on where to start your search.

Consider talking to your school's financial aid office before taking out non-Federal loans. There is a limit on what you can borrow under the Federal student loan programs. By consequence, many students have turned to what are called "**private**" or "**alternative**" student loans to pay their college costs. These loans have different interest rates, terms and conditions than Federal loans. Since Federal student loans are often a less expensive borrowing option than private loans, be sure to exhaust all grant, scholarship and Federal loans before taking out a private loan. Also, be sure to research which private loan will best meet your needs as a borrower.

Should you happen to run into problems with your **Federal** student loan, contact the Ombudsman at the U.S. Department of Education. The Ombudsman will research your particular problem and try to develop a fair solution. You can contact the Ombudsman by phone at 1-877-557-2575, by email at [fsaombudsmanoffice@ed.gov](mailto:fsaombudsmanoffice@ed.gov), or by mail at: U.S. Department of Education, FSA Ombudsman, 830 First Street, NE, Fourth Floor, Washington, D.C., 20202-5144.