

# Federal Student Loan Programs

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## Will you need a loan to attend college?

If you need a loan to help cover the cost of a college or career school education, think federal student aid first. All student loans are borrowed funds that you must repay with interest, but federal student loans usually offer lower interest rates and have more flexible repayment terms and options than private student loans.

### 1. What is a federal student loan?

Federal student loans allow students and their parents to borrow money to pay for a college or career school education. A federal student loan is made through a loan program administered by the federal government.

### 2. What is a private student loan?

A private student loan is a nonfederal loan made by a private lender, such as a bank or credit union. The terms and conditions of private student loans are set by the lender, not the federal government. 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 a college or career school education?

Federal student loans offer you many benefits that don't typically accompany private loans. These include low fixed interest rates, income-based repayment plans, cancellation for certain types of employment, and deferment (postponement) options, including deferment of loan payments when a student returns to school. Also, private loans usually require a credit check, which most federal loans do not. For these reasons, students and parents should always exhaust federal student loan options before considering a private loan.

### 4. How much should I borrow?

You can determine whether you need a loan and how much you need to borrow by adding up the total cost of your education (tuition, fees, room and board, etc.) and subtracting the amount of scholarships, grants, and savings you have to contribute to those costs. You should borrow only what you need and consider the earnings potential in your chosen profession to determine how easily you'll be able to repay your debt. You can find salary estimates for a variety of occupations in the U.S. Department of Labor's *Occupational Outlook Handbook* at [www.bls.gov/ooH](http://www.bls.gov/ooH). Your student loan payments should be only a small percentage of your salary after you graduate.

## Have questions? Contact or visit the following:

- [StudentAid.gov](http://StudentAid.gov)
- a school's financial aid office
- [studentaid@ed.gov](mailto:studentaid@ed.gov)
- 1-800-4-FED-AID (1-800-433-3243) toll free
- TTY for the hearing impaired: 1-800-730-8913

## What kinds of federal student loans are available?

The interest rates shown are fixed rates for the life of the loan.

Federal Loan Program	Program Details (subject to change)	Maximum Annual Award (subject to change)
<b>Direct Subsidized Loan</b>	<ul style="list-style-type: none"> <li>For undergraduate students who have financial need</li> <li>For loans first disbursed on or after July 1, 2016, and before July 1, 2017, interest rate is 3.76%</li> <li>You're not usually charged interest on the loan during certain periods</li> <li>The U.S. Department of Education (ED) is the lender; payment is owed to ED</li> </ul>	\$5,500 depending on grade level and dependency status*  For total lifetime limit, go to <a href="http://StudentAid.gov/sub-unsub">StudentAid.gov/sub-unsub</a>
<b>Direct Unsubsidized Loan</b>	<ul style="list-style-type: none"> <li>For undergraduate, graduate, and professional degree students; financial need is not required</li> <li>For loans first disbursed on or after July 1, 2016, and before July 1, 2017:               <ul style="list-style-type: none"> <li>3.76% interest rate for loans made to undergraduate students, and</li> <li>5.31% interest rate for loans made to graduate and professional degree students</li> </ul> </li> <li>You're responsible for interest during all periods</li> <li>ED is the lender; payment is owed to ED</li> </ul>	\$20,500 (less any subsidized amounts received for same period) depending on grade level and dependency status*  For total lifetime limit, go to <a href="http://StudentAid.gov/sub-unsub">StudentAid.gov/sub-unsub</a>
<b>Direct PLUS Loan</b>	<ul style="list-style-type: none"> <li>For parents of dependent undergraduate students who are borrowing money to pay for their child's education, and for graduate or professional degree students; financial need is not required</li> <li>For loans first disbursed on or after July 1, 2016, and before July 1, 2017, interest rate is 6.31%</li> <li>Borrower must not have negative credit history</li> <li>ED is the lender; payment is owed to ED</li> </ul>	Maximum amount is cost of attendance minus any other financial aid student receives
<b>Federal Perkins Loan</b>	<ul style="list-style-type: none"> <li>For undergraduate, graduate, and professional degree students</li> <li>Eligibility depends on your financial need and availability of funds at your school; contact your school's financial aid office about eligibility</li> <li>Interest rate is 5%</li> <li>Your school is the lender; payment is owed to the school that made the loan</li> </ul>	Undergraduate students: \$5,500; graduate and professional degree students: \$8,000  Total lifetime limit may not exceed \$27,500 for undergraduates and \$60,000 for graduate students (including amounts borrowed as an undergraduate)

\*Learn about dependency status at [StudentAid.gov/dependency](http://StudentAid.gov/dependency).

Note: Find interest rates on loans disbursed before July 1, 2016, at [StudentAid.gov/interest](http://StudentAid.gov/interest).

For more information on loans, visit [StudentAid.gov/loans](http://StudentAid.gov/loans). Find this fact sheet at [StudentAid.gov/resources#loan-programs](http://StudentAid.gov/resources#loan-programs).