



# FEDERAL AID FIRST



Department of Education  
Federal Student Aid  
Free Application for Federal Student Aid  
ED PUBS

## Federal Aid First

Thinking about attending college? Will you need a loan? If so, think Federal Aid First! Federal loans usually offer borrowers lower interest rates and have more flexible repayment options than loans from banks or other private sources.

This brochure explains the differences between federal and private education loans, the various kinds of federal loans offered and the dollar amounts available. Included are details on the Free Application for Federal Student Aid (FAFSA)—your starting point for obtaining financial assistance for college. Think Federal Aid First!

## Federal Student Aid Frequently Asked Questions

### What is a federal student loan?

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 usually have low interest rates and offer attractive repayment terms, benefits and options. Generally, repayment of a federal loan does not begin until after the student leaves school. Federal student loans can be used to pay school expenses such as tuition and fees, room and board, books, supplies and transportation.

Federal student loans are delivered to students through two programs: the Direct Loan Program and the Federal Family Education Loan Program. Both programs offer essentially the same type of loans with similar loan terms and borrower benefits. Your school chooses the loan program in which it will participate. In both programs, loan funds are provided to you through your school.

### 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, require a credit check and do not provide the benefits of federal student loans.

### 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.

### How do I get a federal student loan?

To get a federal student loan, you must complete the Free Application for Federal Student Aid (FAFSA). The easiest way to complete the FAFSA is online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov). Here, you identify schools that you are interested in attending. When your FAFSA is processed, the schools you have identified will receive your information. The school will then tell you how much financial aid is available, including grants, scholarships, work opportunities and federal student loans. Should you

choose a federal student loan, your school will provide you with instructions on next steps, including how to select a lender.

### How much money can I borrow in federal student loans?

Undergraduate student loan limits range from \$3,500 to \$10,500 per year depending on certain factors, including the student's year in college. Graduate students can borrow up to \$20,500 each year. Parents can also get federal student loans to help pay the remainder of college costs that are not covered by their children's other financial aid. These are called PLUS loans. In addition, graduate students may obtain PLUS loans to help pay for their own education.

### Why should I complete a FAFSA when the private loan application process may be easier?

While the application process may be easier in some instances, federal student loans usually have lower interest rates and better repayment terms and options than private student loans. Additionally, schools use the information provided on the FAFSA to determine eligibility for other types of financial aid provided by the federal government, from your state, or from the school itself. This aid can include grants, scholarships and work opportunities.

### What kinds of federal student loans are available?

**Stafford loans** are for undergraduate and graduate students. There are two types of Stafford loans: Subsidized and Unsubsidized.

- **Subsidized Stafford loans** provide low interest rates and are available to students who demonstrate financial need based on income and other information provided on the FAFSA. A credit check is not required to receive these loans. The federal government pays the interest on these loans until six months after the student is no longer enrolled in school at least half time.
- **Unsubsidized Stafford loans** provide low interest rates and are available to all students regardless of financial need (although the FAFSA still must be filed). A credit check is not required to receive these loans. The student is responsible for the interest, which may be paid while the student is in school or accrued and then added to the principal balance when the student enters repayment, which occurs six months after the student is no longer enrolled in school at least half time.

**Plus loans are low interest loans** that parents can obtain to help pay the cost of education for their children. In addition, graduate students may obtain PLUS loans to help pay for their own education. PLUS loans require a credit check and, in some instances, an eligible cosigner. Repayment of PLUS loans begins following the final disbursement for the year. Graduate students may be able to defer repayment of their PLUS loans until after the student is no longer enrolled in school at least half time, although interest will continue to accrue.

**Consolidation loans** allow student or parent borrowers to combine multiple federal student loans into one loan with one monthly payment. A federal consolidation loan cannot include private loans. However, some private lenders may offer consolidation loans. Borrowers should be aware that they will lose their federal borrower benefits if they consolidate their federal student loan into a private consolidation loan. Borrowers should always exhaust federal student loan options first before considering a private consolidation loan.

## Federal Student Loans...

- Allow students and their parents to borrow money to help pay for college through programs supported by the federal government.
- Offer lower interest rates and better repayment benefits and options than private student loans.
- Are available to students and parents that need help paying for college – in many cases, regardless of income level or credit history.

Students and parents should always exhaust federal loan options first before considering a private loan. To apply for a federal student loan, complete our online tool, the [Free Application for Federal Student Aid \(FAFSA\)](#).

For additional information on the federal student aid programs, the Department of Education's free publication *Funding Education Beyond High School: The Guide to Federal Student Aid* may be obtained by visiting [www.federalstudentaid.ed.gov/pubs](http://www.federalstudentaid.ed.gov/pubs) or calling 1-800-4-FED-AID.

## Tips To Help You Apply For A Federal Student Loan

1. **Apply** online using [www.fafsa.ed.gov](http://www.fafsa.ed.gov).
2. **Check deadlines.** Be aware of your state's and your school's application deadlines. While there is no deadline for applying for federal student aid, you should apply as early as possible after January 1 of each year that you will attend college. Some state and school aid is awarded on a first-come, first-served basis.
3. **Collect** the information you need to complete the FAFSA:
  - Your Social Security number and your parents' Social Security numbers;
  - Your driver's license number, if you have one;
  - Your alien registration number, if you are not a U.S. citizen; and
  - Your federal tax returns and income information
4. **Check** your FAFSA. After you complete the FAFSA, you will receive a Student Aid Report (SAR). Review the information carefully and make any necessary corrections.
5. **Respond immediately** to any request from your school for additional information.