Types of student loans.

Events like losing a job, getting sick and having financial trouble can create many challenges. In such situations, before you borrow, make sure you know the basic types of student loans. That way, you will maximize the amount of federal aid you receive—and minimize what you have to repay later.

- **Stafford Loans** are the most common federal education loans students receive. They can be either subsidized or unsubsidized.
- **Perkins Loans** are low-interest federal loans, administered by the school, for students who demonstrate exceptional financial need.
- **PLUS Loans** can cover expenses not met by other federal financial aid. These can be taken out by dependent students' parents or by graduate students.
- **Consolidation loans** combine one or more preexisting loans into one new loan with a fixed interest rate and (generally) a longer term.
- **Institutional loans** are nonfederal aid that schools loan their students.
- **Private loans** and **state loans** are not federal aid. However, they can help students ineligible for federal aid or those who do not receive enough aid to cover the cost of attendance.

Subsidized Stafford Loans.

Who can borrow.

Students who demonstrate financial need and are:

- U.S. citizens or eligible noncitizens.
- Enrolled at least half-time in an eligible degree or certificate program.

Loan limits.

Undergraduate independent and dependent students can borrow a maximum of $23,000. This includes:

- Up to $3,500 in their first year.
- Up to $4,500 in their second year.
- Up to $5,500 in their third year and beyond.

Graduate students can borrow up to $8,500 per year for a maximum of $65,500 (this total includes any undergraduate Subsidized Stafford Loans as well). As of July 1, 2012, graduate students can no longer receive federal Subsidized Stafford Loans. They are still eligible for federal Unsubsidized Stafford Loans.

Repayment terms.

- Repayment begins six months after the borrower initially graduates, withdraws or drops below half-time enrollment.
- Under certain conditions, the borrower can request a deferment—a repayment postponement—during which the federal government will pay your accruing interest on your behalf.
- Borrowers also may be able to postpone repayment of their loan payments with forbearance. However, interest still accrues and will capitalize if you do not pay it during forbearance.
- Typically, you have up to 10 years to complete repayment; however, borrowers can also choose from various repayment plans.
- There are no penalties for prepayment or finishing repayment ahead of schedule.

Interest payment.
Interest is paid by the federal government while you are:

- In school.
- In a grace period. However, subsidized student loans for which the first disbursement is made on or after July 1, 2012, and before July 1, 2014, are NOT eligible for the interest subsidy during the grace period. This means that you will be responsible for the interest that accrues during this time. You do not have to make payments during the grace period (unless you choose to) but the interest will be added (capitalized) to the principal amount of your loan when the grace period ends.
- In an approved deferment period.

Interest rate.
For undergraduates:

- Loans disbursed before July 1, 2008, and loans disbursed on or after July 1, 2012, have an interest rate of 6.8%.
- Loans disbursed on or after July 1, 2008, and before July 1, 2009, have an interest rate of 6%.
- Loans disbursed on or after July 1, 2009, and before July 1, 2010, have an interest rate of 5.6%.
- Loans disbursed on or after July 1, 2010, and before July 1, 2011, have an interest rate of 4.5%.
- Loans disbursed on or after July 1, 2011, and before July 1, 2012, have an interest rate of 3.4%.

Graduate students' Subsidized Stafford Loans have a fixed interest rate of 6.8%. As of July 1, 2012, graduate students can no longer receive federal Subsidized Stafford Loans.

If you have loans disbursed prior to July 1, 2006, contact your loan holder for interest rate information. Many loans made before this time have a variable interest rate that changes annually.

Unsubsidized Stafford Loans.

Who can borrow.
Students who are:
- U.S. citizens or eligible noncitizens.
- Enrolled at least half-time in an eligible degree or certificate program.

Unsubsidized Stafford Loans are not based on financial need.

Loan limits.
Dependent undergraduate students.
Each year, dependent undergraduate students can borrow a base amount in either Subsidized or Unsubsidized Stafford Loans. The loan type depends on the student's need, which is calculated by the U.S. Department of Education.

The base amount can be:
- Up to $3,500 in their first year of school.
- Up to $4,500 in their second year.
- Up to $5,500 in their third year and beyond.

However, if the student's aid has not exceeded the cost of attendance, the student can be eligible for up to an additional $2,000 per year in unsubsidized funds.

With an additional $2,000 unsubsidized loan per year, dependent undergraduate students can borrow up to a maximum of $31,000 in Stafford Loans. Of that $31,000, no more than $23,000 may be in subsidized funds.

Undergraduate independent students and dependent students whose parents are unable to obtain a PLUS Loan.

Undergraduate independent students and dependent students whose parents are unable to obtain a PLUS Loan can borrow a base amount of Stafford Loans. These can be either subsidized or unsubsidized, depending on the student's need.

The base amount can be:
- Up to $3,500 in their first year of school.
- Up to $4,500 in their second year.
- Up to $5,500 in their third year and beyond.

Additionally, if the student's aid has not exceeded the cost of attendance, the student can be eligible for unsubsidized funds of:

- Up to an additional $6,000 in their first and second years.
- Up to an additional $7,000 in their third year and beyond.

Undergraduate independent students and dependent students whose parents are denied PLUS Loans can borrow up to a maximum of $57,500 in Stafford Loans.

Graduate students.

- Graduate students can borrow a base amount of Stafford Loans that are either subsidized or unsubsidized loans, depending on the student's need. The base amount can be up to $8,500. As of July 1, 2012, the $8,500 can only be unsubsidized, as graduate students will no longer be eligible to receive subsidized loans.
- Additionally, if a student's aid has not exceeded the cost of attendance, the student can be eligible for up to an additional $12,000 in unsubsidized funds, with an annual limit of $20,500.
- Graduate students can borrow up to a maximum of $138,500 in Stafford Loans of which no more than $65,500 can be subsidized (which includes all undergraduate Stafford Loans).
- There are different aggregate borrowing limits for health profession students.

Repayment terms.

- Repayment begins six months after the borrower graduates, withdraws or drops below half-time enrollment.
- Typically, the borrower has up to 10 years to complete repayment; however, borrowers can choose from various repayment plans.
- There are no penalties for prepayment or finishing repayment ahead of schedule.
- Under certain conditions, repayment of a borrower's loans can be postponed with a deferment or forbearance. Interest will continue to accrue during periods of deferment or forbearance.

Interest rate.

- Fixed at 6.8% for undergraduate and graduate loans.
- Interest accrues upon disbursement of loan funds and can be paid monthly or quarterly during the in-school period.
- The borrower can choose to allow interest to accrue while in school, but interest will be capitalized, which means it is added to the principal (the base amount borrowed).

Perkins Loans.

Who can borrow.

Undergraduate and graduate students who demonstrate exceptional financial need and are:

- U.S. citizens or eligible noncitizens.
- Enrolled at least half-time in an eligible degree or certificate program.

Loan limits.

- Undergraduates can borrow up to $5,500 a year, for a maximum of $27,500.
- Graduate students can borrow up to $8,000 per year, for a maximum of $60,000.

Repayment terms.

- Repayment begins nine months after a borrower graduates, withdraws or falls below half-time enrollment.
- The borrower has up to 10 years to complete repayment.
- Borrowers receive limited options for repayment schedules, but they do have additional postponement options like Perkins-specific deferments and forbearance.
- Borrowers should contact their school or servicer to apply for a postponement.
- Your servicer is usually different from your other federal loans. It could be your school or a company chosen by your school.

Interest.

The interest rate is fixed **at 5%**. Interest is paid by the federal government while the borrower is:

- In school.
- In a grace period.
- In an approved deferment period.

Parent PLUS loans.

Who can borrow.

Natural or adoptive parents or stepparents (in some cases) and legal guardians of eligible dependent undergraduate students who are:

- U.S. citizens or eligible noncitizens.
- Enrolled at least half-time in an eligible degree or certificate program.

Borrowers must have credit in good standing. A co-signer may be required.
Parent PLUS Loans are not based on financial need.

Loan limits.

Parents can borrow up to the total cost of attendance at the student's school (as determined by the school), minus all other aid received.

These loans have no annual or total borrowing limit.

Repayment terms.

Typically, borrowers have up to 10 years to complete repayment; however, borrowers can choose from various repayment plans.

There are no penalties for prepayment or finishing repayment ahead of schedule.

Under certain conditions, borrowers can postpone repayment by requesting a deferment or forbearance. Interest will continue to accrue during periods of deferment or forbearance.

For loans disbursed before July 1, 2008:

- Repayment begins on the loan's principal and interest as soon as it is fully disbursed.

For loans disbursed on or after July 1, 2008, the borrower can choose to start repayment:

- No later than 60 days after the loan is fully disbursed.
- Upon request, six months after the student for whom the loan was borrowed graduates, withdraws or drops below half-time enrollment. Some parent PLUS loans taken prior to July 1, 1993, may also be eligible for in-school deferment.

Interest rate.

All new PLUS Loans have a fixed interest rate of 7.9%. PLUS Loans originated under the Federal Family Education Loan Program (FFELP) had a fixed interest rate of 8.5%. As of July 1, 2010, there are no new FFELP loans.

Grad PLUS loans.

Who can borrow.

Credit-worthy graduate or professional students who are U.S. citizens or eligible noncitizens and enrolled at least half-time in an eligible degree or certificate program. A co-signer may be required.

Loan limits.

Borrowers can borrow up to the total cost of their education, minus all other aid received.

These loans have no annual or total borrowing limit.

Repayment terms.

For loans disbursed before July 1, 2008:

- No payments are required while the borrower is in school at least half-time.
- If the borrower graduates, withdraws or drops below half-time enrollment, there is no grace period before repayment begins.

For loans disbursed on or after July 1, 2008:

- Repayment starts six months after the student drops below half-time enrollment.

There are no penalties for prepayment or for finishing repayment ahead of schedule.

Under certain conditions, borrowers can postpone repayment by requesting a deferment or forbearance. Interest will continue to accrue during periods of deferment or forbearance.

Interest rate.

New PLUS loans have a fixed interest rate of 7.9%.

FFELP PLUS loans made on or after July 1, 2006, and before July 1, 2010, have a fixed interest rate of 8.5%.

Consolidation loans.

Who is eligible.
Borrowers with one or more eligible federal student loans.

Loan limits.
None.

Repayment terms.
- Based on your total education loan debt (including most private education loans), you could extend your repayment to a maximum of 30 years.
- Extending repayment may increase the amount of interest paid over the life of the loan.
- Consolidation loans can be reconsolidated when there are additional eligible federal education loans.
- Federal Family Education Loan Program (FFELP) borrowers can reconsolidate into the Direct Loan (DL) program to gain access to military benefits and Public Service Loan Forgiveness (PSLF).
- Under certain conditions, the borrower can postpone repayment by requesting a deferment or forbearance. Interest will continue accruing on unsubsidized portions (but not subsidized portions) of a consolidation loan during periods of deferment.
- There are several repayment plans available.
- There are no penalties for prepayment or finishing repayment ahead of schedule.

Interest rate.
Consolidation loans have fixed interest rates.

The interest rate is calculated by taking the weighted average of the interest rates on the loans being consolidated and rounding up to the nearest 1/8 of a percent.

Institutional loans.
- These loans are similar to private loans.
- They are nonfederal aid provided directly by your school.
- Your servicer may be your school or an agency hired by your school.
- Repayment options will vary, as will interest rates.
- If you have institutional loans, contact your school to learn more about the terms of these loans.

Private loans.
- Also called "alternative loans."
- Unlike federal student loans, private loans are not funded or otherwise processed by the federal government.
- Either the borrower or a parent can take out a private loan.
- These loans have a variety of interest rates, payment structures and lengths of time to repay.
- Private loans do not have many of the repayment and deferment options that are available with federal loans.
- Private loans may be an important option if the borrower does not qualify for other forms of aid.

State loans.

- State loans are provided through state-funded programs and are not affiliated with federal loan programs.
- These loans' interest rates may vary depending on the state you are in.
- State loans have different benefits and requirements from federal loans, but they may offer more benefits than private loans.
- Contact your state's office of education to learn more.

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