

## What is the Federal Stafford loan program?

Federal Stafford loans are low-interest loans made to undergraduate or graduate students attending school on at least a half-time basis. All borrowers must complete a Free Application for Federal Student Aid (FAFSA), which can be completed online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

The Federal Stafford loan program offers two types of loans: subsidized and unsubsidized.

### SUBSIDIZED FEDERAL STAFFORD LOAN

Interest is paid by the federal government until the student ceases to be enrolled at least half-time at an eligible institution. The interest is also paid during the 6-month grace period or during a deferment period. Eligibility is determined on the basis of financial need.

### UNSUBSIDIZED FEDERAL STAFFORD LOAN

Interest is NOT paid by the federal government. The borrower is responsible for ALL interest payments. However, interest and principal may be deferred during in-school periods so long as the student is enrolled at least half-time. The borrower has the option of making interest payments while in school or having the interest deferred. If deferred, the interest will be added to the principal balance by the lender. This is called capitalization. Eligibility is not determined on the basis of need, enabling students, regardless of income, to obtain a low-interest student loan.

## Additional Guidelines

Each participating lender establishes its own lending requirements.

Schools can refuse to certify a Federal Stafford loan or can certify a loan for a lesser amount than the borrower would otherwise be eligible, if the school documents the reason for its action and explains the reason in writing to the borrower.

A borrower can cancel the Federal Stafford loan prior to disbursement should he or she decide to decline the loan, even after the promissory note has been signed.



For additional information or assistance, students and parents should contact SLGFA's Caller Information and Assistance Department.

Student Loan Guarantee  
Foundation of Arkansas  
10 Turtle Creek Lane  
Little Rock, AR 72202-1884  
Phone: 800-622-3446  
Fax: 501-688-7675  
E-mail: [slgfa@slgfa.org](mailto:slgfa@slgfa.org)



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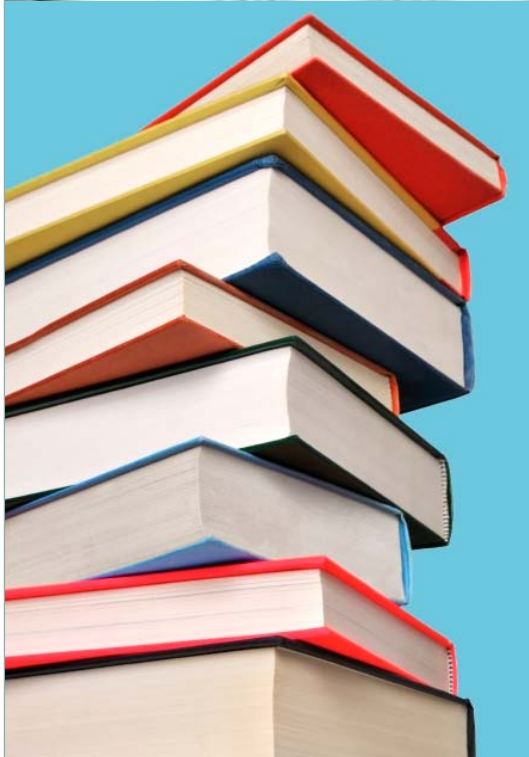
## Federal Family Education Loan Program

Federal Stafford Loan Program



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[www.slgfa.org](http://www.slgfa.org)



# What You Should Know

## APPLICATION REQUIREMENTS

The student must first complete the FAFSA. The results of this application determine the student's eligibility for the federal student loan program as well as other federal financial aid.

Before any loan funds can be disbursed, the student must also complete a Master Promissory Note (MPN) and entrance counseling.

The application process and delivery of Federal Stafford loan funds differs from school to school; therefore, the student should contact the school he or she is planning to attend to determine the process used by that school. Please note that lending requirements may differ with each lender.

## DISBURSEMENTS

Disbursements are sent directly to the school's financial aid office either by electronic funds transfer (EFT) or by individual check. Disbursements may be made in multiple installments. If the student is a first-year, first-time borrower, the first disbursement may be delayed for 30 days after the program of study start date.

## REPAYMENT TERMS

All loans MUST be repaid, including any accrued interest and deducted fees. Repayment begins six months after the student graduates, withdraws, or ceases to be enrolled on at least a half-time basis.

Several repayment options are available to assist in repayment. Monthly payment amounts will be based upon the total amount borrowed but must be at least \$50. The repayment period varies depending on the repayment options chosen by the borrower.

*NOTE: There are no penalties for early repayment of a Federal Family Education Loan (FFEL) student loan debt.*

## INTEREST RATES

For loans first disbursed on or after July 1, 2008, the interest rate for subsidized Federal Stafford loans will be reduced over the next four years.

- July 1, 2008-June 30, 2009: 6 percent
- July 1, 2009-June 30, 2010: 5.6 percent
- July 1, 2010-June 30, 2011: 4.5 percent
- July 1, 2011-June 30, 2012: 3.4 percent

The interest rate for unsubsidized Federal Stafford loans is fixed at 6.8 percent.

## FEES

The maximum fees that may be charged for subsidized and unsubsidized Federal Stafford loans first disbursed on or after July 1, 2008 are:

- 1 percent — Federal Default Fee
- 1 percent — Origination Fee

The maximum origination fee drops to 0.5 percent on July 1, 2009 and will be eliminated as of July 1, 2010.

All fees are deducted from the principal amount of each Federal Family Education Loan Program (FFELP) loan made.

## ANNUAL LOAN LIMITS

The following table provides information regarding how much dependent, independent, and graduate/professional students can borrow.

ANNUAL LIMITS	SUBSIDIZED	TOTAL (SUBSIDIZED AND UNSUBSIDIZED)
Dependent * Undergraduates		
First Year	\$3,500	\$5,500
Second Year	\$4,500	\$6,500
Third Year and Higher	\$5,500	\$7,500
Independent ** Undergraduates		
First Year	\$3,500	\$9,500
Second Year	\$4,500	\$10,500
Third Year and Higher	\$5,500	\$12,500
Graduate/ Professional Students	\$8,500	\$20,500
AGGREGATE LIMITS	SUBSIDIZED	TOTAL (SUBSIDIZED AND UNSUBSIDIZED)
Dependent Undergraduates	\$23,000	\$31,000
Independent Undergraduates	\$23,000	\$57,500
Graduate/ Professional Students	\$65,500	\$138,500

\* A dependent student whose parents are unable to obtain a Federal PLUS loan may borrow the same amount in unsubsidized loans as an independent student.

\*\* An independent student is 24 years of age or older or has legal dependents, is married, is a professional or graduate student, is an orphan or a ward of the court (or was a ward of the court until age 18), is a veteran of the U.S. Armed Forces, or is currently serving on active duty in the U.S. Armed Forces for purposes other than training.