

FINDING THE RIGHT WAY FOR YOU

The thought of paying for a college education can be overwhelming, to say the least. But it may be more attainable than you think, thanks to Stafford loans and other types of financial aid. And with the information you need to make wise financial choices, you'll be able to pay for college and experience all the benefits that come with it.

Here to Help

Great Lakes Higher Education Guaranty Corporation is here to help you through your education and beyond. As you evaluate your financial aid options, we can help you make sure you know everything you need to know along the way. As a nonprofit, we have no financial interest in your education—only human interest in your success.

Visit mygreatlakes.org for more on paying for college and building a bright financial future.

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STAFFORD LOANS



AFFORDABILITY+ CONVENIENCE

For students who need help paying for college, federal Stafford loans offer a hard-to-beat combination of affordability and convenience. That's why millions of students rely on Stafford loans to help cover college expenses each year.

The Advantages

Designed for Students. You don't need to have income or credit history to qualify for a Stafford loan.

Fixed Interest Rate. With a Stafford loan, you lock in a low, fixed interest rate for the life of the loan. The following chart lists current and future interest rates.

Period when Loan is Disbursed	Subsidized Undergraduate Stafford Loans	Unsubsidized & Graduate Stafford Loans
7/1/08 through 6/30/09	6.0%	6.8%
7/1/09 through 6/30/10	5.6%	6.8%
7/1/10 through 6/30/11	4.5%	6.8%
7/1/11 through 6/30/12	3.4%	6.8%

Convenience. Many schools and lenders offer a quick and convenient online application process. You generally sign the promissory note only once with the lender at the beginning of your program. Then your promissory note is kept on file so you don't have to complete a new one each time you borrow.

Grace Period. You don't have to start making payments on a Stafford loan until six months after you graduate or stop attending school at least half-time.

Repayment Flexibility. If you have trouble making payments, you may be eligible to temporarily reduce or suspend your payments.

WORTH CONSIDERING

Fees. Besides interest, you may be charged origination and federal default fees for Stafford loans. Combined, these fees range from 0 to 1.5* percent and are deducted from your total loan amount prior to disbursement.

Eligibility. To qualify for a Stafford loan, you must be a U.S. citizen or eligible noncitizen, and be enrolled at least half-time at a school that participates in the program. You must also maintain satisfactory academic progress (as determined by your school), and have a high school diploma or equivalent. Men must also be registered with the Selective Service.

The Two Types

Subsidized Stafford Loans are need-based, meaning they're reserved for students who need help the most. The federal government pays the interest on subsidized Stafford loans while you're enrolled in school at least half-time, during your six-month grace period after leaving school, and during any periods of deferment.

Unsubsidized Stafford Loans are available to all eligible students, regardless of financial need or family income. You're responsible for paying the interest on unsubsidized Stafford loans as soon as the money is disbursed. You can choose to pay the interest while you're in school, or to have it added to your loan balance (capitalized).

Depending on your financial need, you may qualify for a subsidized Stafford loan, an unsubsidized Stafford loan, or a combination of the two.

* The combined fees apply to Stafford loans disbursed from July 1, 2009, through June 30, 2010.



HOW MUCH YOU CAN BORROW

The amount you can borrow in Stafford loans is determined by your school's financial aid office. They consider the educational expenses for your program, other financial aid you receive, and your family's estimated ability to help pay your expenses. The amount you can borrow each year is subject to maximums set by federal law. The table below lists the annual maximums as of July 1, 2008.

Stafford Loan Annual Maximums

Year in School	Dependent Undergraduate	Independent Undergraduate*	Graduate or Professional Student
First Year	\$5,500 (maximum of \$3,500 can be subsidized)	\$9,500 (maximum of \$3,500 can be subsidized)	\$20,500 (maximum of \$8,500 can be subsidized)
Second Year	\$6,500 (maximum of \$4,500 can be subsidized)	\$10,500 (maximum of \$4,500 can be subsidized)	\$20,500 (maximum of \$8,500 can be subsidized)
Third Year and Beyond	\$7,500 (maximum of \$5,500 can be subsidized)	\$12,500 (maximum of \$5,500 can be subsidized)	\$20,500 (maximum of \$8,500 can be subsidized)

*Or a dependent student whose parent applied for but was unable to get a PLUS loan.

There are also limits to what you can borrow during your college career. A dependent undergraduate can borrow up to \$31,000 over the course of a college career, while an independent undergraduate can borrow up to \$57,500. You can borrow no more than \$23,000 in subsidized Stafford loans regardless of status. A graduate or professional student can borrow up to \$138,500 (including any Stafford loans borrowed as an undergraduate). Limits may be higher for some medical and other health professions programs.



GETTING A STAFFORD LOAN

1. Submit the FAFSA. To get a Stafford loan, you must submit the Free Application for Federal Student Aid (FAFSA) and answer yes to the question that asks whether you would like to be considered for student loans. You can fill out a paper FAFSA or complete one online (and save time) at fafsa.ed.gov. To sign the FAFSA online, you'll need a PIN from pin.ed.gov.

To receive an early estimate of your eligibility for federal student aid, use the FAFSA4caster online at fafsa4caster.ed.gov. Much of the information that you enter in the FAFSA4caster will transfer automatically to your FAFSA online application.

2. Determine how much you want to borrow. Your school's financial aid office reviews the information you provide on the FAFSA to determine the types of Stafford loan for which you qualify. The school then sends you an award letter or email notifying you of your eligibility (at which point you can decide how much you want to borrow).

3. Choose a lender. Find a lender and a loan program that is right for you. Ask your financial aid office if you need help making an informed decision.

4. Complete an MPN. You must sign a Master Promissory Note (MPN) to receive a Stafford loan. The MPN is a contract that legally obligates you to repay a Stafford loan and that details the terms and conditions of the loan. Depending on your school and lender, you may receive a paper MPN or instructions about signing an MPN online.

After your loan is processed, your lender sends the money directly to your school. Any money left over after paying the costs owed to the school is delivered to you—and you may use this money to cover other educational costs authorized by the school, such as textbooks and living expenses.

5. Save your paperwork. You will end up with a lot of paperwork. Save copies of everything—you may need it later.

REPAYING A STAFFORD LOAN

You enter repayment on a Stafford loan when the grace period ends—that is, six months after you graduate or stop attending school at least half-time.



Usually, it takes ten years to pay back a Stafford loan, although you do have the option to pay it off sooner without penalty. If you have trouble making payments, you may be eligible for deferments or forbearances to temporarily reduce or suspend your monthly payments. Of course, both of these options mean it'll take longer to pay off the loan, so you may wind up paying more interest in the end.

To quickly estimate what your monthly payments will be (as well as the total amount you'll pay in interest), use the Account Payment Plan Estimator in the Borrowers section at mygreatlakes.org.

Keep in mind: You will ultimately be responsible for repaying your Stafford loan—even if your parents agreed to pay it back for you, you don't graduate, can't find a job, or aren't happy with your education.

OTHER TYPES OF FINANCIAL AID

Stafford loans are one of the most affordable ways to borrow money for school. But they are only one part of your financial aid package, which may also include many other types of aid:

Grants and Scholarships

As a rule, grants and scholarships are the best types of aid for one very obvious reason: You don't have to pay them back. Grants are typically awarded based on financial need and are frequently offered through the federal government. Scholarships are often merit-based and are offered by schools and private organizations.

Federal Work-Study

You may also be able to earn money to help cover school expenses through the Federal Work-Study program, which provides part-time jobs to students (often on campus) based on their financial need.

PLUS Loans

PLUS loans are another type of federal education loan with many of the same advantages as Stafford loans. They are available to parents of dependent students and also to graduate and professional students. A PLUS loan may be helpful if you have expenses that are not covered after adding up all your financial aid and borrowing the maximum amount in Stafford loans.

Private Loans

Private loans are offered by lenders without involvement of the federal government. They can help bridge the gap between the cost of your education and your other financial aid dollars.

Compare the interest rates and other benefits of private loans to those of federal Stafford and PLUS loans to decide which are best for you.