



UNITED STATES SENATOR HARRY REID

FAQs on Federal Student Loans

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Who is eligible to take out federal student loans?

Any U.S. citizen or eligible non-citizen enrolled in a degree, certificate, or other approved program at an eligible institution may take out a federal student loan. You must also have a high school degree or pass a test approved by the U.S. Department of Education, and submit a Free Application for Federal Student Aid, or FAFSA form.

What kinds of federal loans are available?

Direct Stafford Loans are low-interest loans for eligible undergraduate or graduate students to help cover the cost of higher education at a four-year college or university, community college, or trade, career, or technical school. Eligible students borrow directly from the U.S. Department of Education and must repay these loans when they graduate. There are two types of Direct Stafford Loans:

- **Subsidized Stafford Loans** are for students with financial need. Your school will review your FAFSA and determine the amount you can borrow. You are not charged interest while you are in school at least half-time and during grace and deferment periods. Interest rates will vary according to disbursement date.
- **Unsubsidized Stafford Loans** do not require students to demonstrate financial need. Like subsidized loans, your school will determine the amount you can borrow. You are responsible for paying interest on the loan, starting from the date the loan is first disbursed. Interest rates are fixed at 6.8%.

Direct PLUS Loans are for parents of dependent students or graduate or professional students enrolled at least half-time. Students do not need to demonstrate financial need to be eligible and interest rates are fixed at 7.9%.

Perkins Loans are low-interest loans for undergraduate and graduate students with significant financial need. The school serves as the lender and students must repay this loan to the school. Interest rates are fixed at 5%.

How does loan repayment work?

You will have several options for repaying your loans. The amount your pay and the repayment period will vary depending on the repayment plan you choose. Generally, you will have between 10 and 25 years to repay the loans. In addition, the date to begin repayment depends on the loan you choose. You may also be eligible to participate in the Income-Based Repayment or loan forgiveness programs (see reverse).

What is loan consolidation?

Loan consolidation allows a borrower to consolidate multiple federal student loans into one loan, resulting in a single monthly payment. Most federal loans are eligible for consolidation, but make sure to carefully consider whether loan consolidation is the best option for you. Visit the U.S. Department of Education's loan consolidation website www.loanconsolidation.ed.gov or call 1-800-557-7392 for more information.

What is income-Based Repayment?

Income-Based Repayment (IBR) is repayment plan for Direct Stafford or PLUS loans that caps your required monthly payment at 15% of your monthly income to help make loan payments more manageable. Under IBR, loans can be cancelled after 25 years of repayment. Visit the U.S. Department of Education's website www.studentaid.ed.gov to determine your eligibility and learn more.

What is loan forgiveness?

The Public Service Loan Forgiveness Program allows balances on Direct Stafford or PLUS loans to be forgiven after 10 years of repayment while you are employed in certain public service professions. These fields include public education, law enforcement, public health, or military service. In addition, public school teachers serving in a low-income school or teaching high-need subjects may be eligible to have a portion of their loan cancelled. Visit the U.S. Department of Education's website www.studentaid.ed.gov to learn more.

Basic Loan Terms

- **Principal:** The full amount borrowed. The portion of the original amount still owed during repayment.
- **Interest:** An annual charge for borrowing money, expressed as a percentage of the loan principal.
- **Grace Period:** Waiting period after graduation or withdrawal from school and before repayment begins.
- **Deferment:** A delay of repayment due to difficult circumstances, such as military service and unemployment.
- **Delinquent:** When a loan payment is late or missed. nine months of delinquency may result in default.
- **Default:** The continued failure to make repayments. The entire loan is due at default.
- **Forbearance:** Temporary delay of repayments. Interest still accumulates during forbearance.

Where to go for more information?

If you have additional questions about federal student loans, call 1-800-4FED-AID (1-800-433-3243).