

AMERICA'S STUDENT LOAN PROVIDERS

www.studentloanfacts.org

Structure of the Federal Student Loan Program

The Federal Student Loan Program has three major components

Federal Family Education Loan Program (FFELP): The FFELP is public-private partnership in which lenders make federally guaranteed student loans to students and their families in partnership with school financial aid offices. In FY 2003, FFELP lenders provided five million students and their families with \$34 billion in loans, accounting for 74 percent of all student loans. Since its creation in 1965, the FFELP has helped make a college education possible for more than 50 million Americans at thousands of colleges and universities.

William D. Ford Federal Direct Loan Program: The Direct Loan program was created in 1993 and is administered by the Department of Education. Loans are made directly by the Federal government to borrowers.

Perkins Loan Program: Perkins Loans are campus-based loans offered by participating schools to students with the greatest financial need. Participating schools add their own funds to a federal contribution and then disburse service and collect the loans.

Types of Student Loans

The FFELP and Direct Loan program both offer the following loans:

Subsidized Federal Stafford Loans are for students who pass a financial needs test. The federal government pays all interests costs for borrowers while they are in school, and during grace and deferment periods. The aggregate borrowing limit for these loans is \$23,000 for undergraduates and \$65,000 for graduate students.

Unsubsidized Federal Stafford Loans are for students who do not meet a financial needs test or who need to supplement subsidized loans. Although borrowers may defer payment of interest during school, grace or deferment periods, they are responsible for all interest that accrues.

Federal PLUS Loans are for parents of dependent undergraduate students. Parents may borrow up to the cost of attendance per child, minus the financial aid from other sources.

Federal Consolidation Loans help borrowers manage repayment of multiple loans by combining all eligible loans into a single, new guaranteed loan with the option of a longer repayment term, thereby lowering the monthly payment.

Student Loan Interest Rates

Before July 1, 2004

Stafford Loan in Repayment: 3.42%

Stafford Loan in school, grace, or deferment: 2.82%

PLUS loans: 4.22%

After July 1, 2004

Stafford Loan in Repayment: 3.37%

Stafford Loan in school, grace, or deferment: 2.77%

PLUS Loans: 4.17%

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