

AMERICA'S STUDENT LOAN PROVIDERS

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Types of loans made under the Federal Family Education Loan Program (FFELP)

The FFEL Program is a unique public-private partnership in which lenders make federally guaranteed student loans to students and their parents in partnership with school financial aid offices. During the 2004 fiscal year, FFELP loans worth \$39 billion were made to 5.4 million eligible students and their families. In addition, nearly \$23 billion in consolidation loans were made to former students.

Types of loans made under the FFELP include:

- **Subsidized Federal Stafford Loans for students who pass a financial needs test:** The federal government pays all interest costs for subsidized Stafford borrowers while borrowers are in school, and during grace and deferment periods. The interest rate on these loans changes annually but is capped at a maximum rate of 8.25 percent. In the 2004 fiscal year, almost \$17.6 billion in subsidized Stafford Loans were made. This is the largest component of the FFELP, with aggregate borrowing limited to \$23,000 for undergraduate students and \$65,500 for graduate students.
- **Unsubsidized Federal Stafford Loans for students who do not meet a financial needs test or who need to supplement their subsidized loans:** Although borrowers may defer payment of interest during school, grace, and deferment periods, they are responsible for all interest that accrues. The interest rate on these loans also changes annually and is capped at a maximum rate of 8.25 percent. During the 2004 fiscal year, \$16.5 billion in unsubsidized Stafford Loans were made.
- **Federal PLUS Loans for parents of dependent undergraduate students:** Parents may borrow up to the cost of attendance per child, minus financial aid from other sources. The interest rate on PLUS Loans is variable, with a maximum rate of 9 percent. During the 2004 fiscal year, \$5.1 billion in PLUS Loans were made.
- **Federal Consolidation Loans** help borrowers manage repayment of multiple loans by combining all eligible loans into a single, new guaranteed FFELP Loan with the option of a longer repayment term, resulting in a smaller total monthly payment. Because of extended repayment periods associated with consolidation loans, total payments made by consolidation borrowers over the life of their consolidation loan are generally greater than those made by borrowers with standard repayment periods. As a result of record-low interest rates, during fiscal year 2004 nearly \$36 billion in FFELP consolidation loans were made.

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