



Federal Stafford vs. Alternative Loans

A **FEDERAL STAFFORD LOAN** IS ONE OF THE BEST WAYS FOR YOU, AS A STUDENT, TO PAY FOR COLLEGE AFTER EXPLORING YOUR OPTIONS FOR SCHOLARSHIPS AND GRANTS. AN ALTERNATIVE LOAN IS A PRIVATE EDUCATION LOAN THAT A STUDENT MAY APPLY FOR FROM A LENDING INSTITUTION OR ORGANIZATION. ALTERNATIVE LOANS ARE NOT PART OF FEDERAL AID PROGRAMS.

	Federal Stafford Loan	Alternative Loan
Interest Rate	<ul style="list-style-type: none"> All Federal Stafford loans first disbursed on/after July 1, 2009 and before July 1, 2010 have a fixed interest rate of 6.8% with the exception of the undergraduate, subsidized Stafford loan which is 5.6%. Some lenders offer repayment incentives such as interest rate reductions for auto-debit payments. 	<ul style="list-style-type: none"> Variable interest rate determined monthly or quarterly based on Prime or LIBOR rate plus a margin. May be as high as 18% – 21% and is not capped.
Fees	<ul style="list-style-type: none"> An origination fee, not to exceed 0.5%, may be charged by the lender for Stafford loans with a first disbursement date on or after July 1, 2009 and prior to July 1, 2010. 1% federal default fee. 	<ul style="list-style-type: none"> Fees vary among lenders and may go up to 9%. Often, fees will be determined in part by measure of creditworthiness.
Credit Requirements	<ul style="list-style-type: none"> No credit check required. 	<ul style="list-style-type: none"> Terms vary by lender, most of whom use credit scores or debt-to-income ratios to determine creditworthiness, interest rates, and fees. International students usually borrow with a creditworthy U.S. citizen cosigner.
Loan Limits	<ul style="list-style-type: none"> Please contact your school's Financial Aid Office regarding your specific Stafford loan eligibility. Visit aesSuccess.org to view the Federal Stafford loan limits. 	<ul style="list-style-type: none"> Student (typically with cosigner) may borrow up to the cost of attendance less other aid. Limits depend on maximums established by lenders, as well as borrower and co-borrower credit scores.
Interest Accrual	<ul style="list-style-type: none"> Subsidized Stafford Loans – The federal government pays the interest during in-school, grace and authorized deferment periods. Unsubsidized Stafford Loans – You are responsible for paying the interest that accrues from the date of disbursement until the loan is paid in full. <p><small>NOTE: Accrued and unpaid interest may be capitalized according to Federal regulation.</small></p>	<ul style="list-style-type: none"> Accrued interest may be capitalized monthly, quarterly or once at repayment.
Cancellation	<ul style="list-style-type: none"> Although Federal Stafford loans must be repaid in full, there are a few situations in which your loan(s) may be discharged and your repayment obligation cancelled including, but not limited to, total and permanent disability and death. 	<ul style="list-style-type: none"> Alternative loans are not insured against death or disability. Insurance may be available at an extra cost to borrowers.

	Federal Stafford Loan (cont.)	Alternative Loan (cont.)
Repayment Terms	<ul style="list-style-type: none"> • No principal payments are due during in-school, grace and deferment periods. • The six-month grace period begins the day after you cease to be enrolled at least half-time. • There are no penalties for paying off your loan early. • Depending on the amount borrowed, you may have 10 years to repay – longer with flexible repayment options. 	<ul style="list-style-type: none"> • Repayment varies by lender and may begin immediately or be deferred until six months after student ceases half-time enrollment. • Students may select from several repayment plans, and most lenders allow prepayment and early payoff without penalty.
Deferment and/or Forbearance	<ul style="list-style-type: none"> • Various deferment and forbearance options are available. • During deferment or forbearance, loan payments are postponed or reduced. 	<ul style="list-style-type: none"> • Deferment options vary widely and are generally less flexible than Stafford loan deferments.
Consolidation	<ul style="list-style-type: none"> • Federal education loans may be consolidated, combined into a single loan, at a fixed interest rate not to exceed 8.25%. 	<ul style="list-style-type: none"> • Many alternative lenders offer consolidation options, but interest rates are variable and scaled to credit.

For more information, visit aesSuccess.org or call 800.692.7392.



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