

What is a Stafford Loan?

Federal Stafford loans are low-interest loans made to college and career school students by lending institutions, such as banks, savings and loan associations or credit unions. The U.S. government offers these loans through the Federal Family Education Loan Program.

The first step to obtaining a Stafford loan is to complete the [Free Application for Federal Student Aid \(FAFSA\)](#).

Who pays back the loan?

The student.

What is the difference between subsidized and unsubsidized?

Subsidized loans are those loans for which the government pays the daily interest your loan builds while you're in school, for the first six months after you leave school and if you qualify to have your payments deferred. The government distributes subsidized loan amounts based on financial need.

Unsubsidized loans are those loans for which you, the borrower, have to pay all accrued interest. The government does not offer any assistance relating to interest payments for unsubsidized loans.

You can receive both subsidized and unsubsidized loans for the same enrollment period as long as you don't exceed the annual loan limits.

How does my school get the loan money?

Typically, loan money is sent directly to your school in at least two installments. It may be:

- Electronically transferred, if your school and lender participate, or
- Issued as a check made payable to you and your school and mailed to the school.

Your loan money must be used to pay for tuition, fees, room and board, and other school charges. If money remains, you'll receive the funds by check or in cash, unless you authorize the school to hold it in a school account.

What should I do before I apply?

Several events must happen before you should apply for a Stafford loan. You must:

- Complete the [Free Application for Federal Student Aid \(FAFSA\)](#). This is required to be considered for federal and most other types of student aid awarded by state agencies and colleges. If you do not submit a FAFSA, you will **NOT** be eligible to receive student aid.
- Receive a Student Aid Report (SAR) which tells you what federal funding you can get.
- Receive student aid award letters from schools that have accepted your application.
- Review your student aid awards.
- Decide on a school.

Now, it is time to apply. You can [apply for a Stafford loan online](#) (recommended) or [print out the Stafford loan application](#) (688 KB PDF).

[Apply Now](#)

What is a Master Promissory Note (MPN)?

A Master Promissory Note is a “promise to pay” document under which you receive Stafford loans for either a single or multiple enrollment periods.

If the school you attend supports multiple enrollment periods, you may sign the MPN only once although you still must apply for loan assistance each academic year.

What is a PIN?

This is a Personal Identification Number (PIN) that you need in order to sign a FAFSA electronically.

You will receive a PIN the first time you submit a FAFSA. However, if you need a PIN immediately, you can request one at www.pin.ed.gov.

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Eligibility

Am I eligible?

To get a Stafford loan, you must:

- Complete the Free Application for Federal Student Aid (FAFSA)
- Be a U.S. citizen or eligible non-citizen
- Be enrolled in a school that participates in the Federal Family Education Loan Program
- Be enrolled at least half-time while working toward an undergraduate or graduate degree or certificate
- Have no education loans in default or owe education grant refunds

Special eligibility requirements:

- Be registered with the Selective Service, if you are male and 18-25 years old
- Show financial need to qualify for a subsidized loan
- Find out if you are eligible for the [KeystoneBEST](#) loan program

Am I an independent student?

If you can answer yes to any of the following questions, you are an independent student for the 2008-2009 academic year:

- Were you born before January 1, 1985?
- Are you married as of the day you apply (or separated but not divorced)?
- Will you be enrolled in a master's or doctorate program (beyond a bachelor's degree) at the beginning of the 2008-2009 academic year?
- Do you have children who receive more than half their support from you?
- Do you have dependents (other than your children or spouse) who live with you and who receive more than half their support from you and will continue to receive more than half their support from you through June 30, 2009?
- Are both your parents deceased?

- Are you or were you a ward or dependent of the court until age 18 years?
- Are you a veteran of the U.S. Armed Forces? (includes students who attended a U.S. service academy and who were released under a condition other than dishonorable)
- Are you currently serving on active duty in the Armed Forces for other than training purposes?

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Terms

What is the interest rate?

All federal Stafford loans disbursed on/after July 1, 2008, and before July 1, 2009, will be fixed at 6.8% with the exception of the undergraduate subsidized Stafford which will be fixed at 6%.

How much can I borrow?

To determine the maximum amount a student can borrow in unsubsidized Stafford loans, subtract the amount in the "Subsidized" column from the "Total" amount in the last column.

Dependent Undergraduates (Exclusive of students whose parents are unable to borrow under the PLUS program)	Subsidized	Total (Subsidized and Unsubsidized)
First Year	\$3,500	\$5,500
Second Year	\$4,500	\$6,500
Third year and beyond	\$5,500	\$7,500
Aggregate Limits	\$23,000	\$31,000
Independent Undergraduates (And dependent students whose parents are unable to borrow under the PLUS program)	Subsidized	Total (Subsidized and Unsubsidized)
First Year	\$3,500	\$9,500
Second Year	\$4,500	\$10,500
Third year and beyond	\$5,500	\$12,500
Aggregate Limits	\$23,000	\$57,500

Independent Graduate and Professional Students	Subsidized	Total (Subsidized and Unsubsidized)
Graduate and professional students	\$8,500	\$20,500
Aggregate Limits	\$65,500	\$138,500

- These annual loan limits apply to loans disbursed **on/after July 1, 2008**.
- Certain health profession students may qualify for higher limits.
- Undergraduate annual loan limits are subject to proration.

What are the loan fees?

Loan fees range from 0% to 2% of the total amount borrowed. Origination fees of up to 1% may be charged by the lender. The federal default fee is 1%. Select lenders may choose to waive one or more of these fees. AES will pay the federal default fee on behalf of borrowers who select a KeystoneBEST participating lender and are eligible for the KeystoneBEST program.

AES Loan Program	Loan Fee
Stafford	0 - 2%
KeystoneBEST	0 - 1%

Can I consolidate?

Yes. Stafford loans in repayment or in a grace period are eligible for [loan consolidation](#).

How do I complete my Stafford loan entrance counseling?

You must receive entrance counseling before getting a student loan to ensure that you know exactly what your rights and responsibilities are as a Stafford loan borrower.

Begin [online student loan counseling](#) now.

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Advantages & Disadvantages

Is this the right loan for me?

Most likely, yes. Once you have exhausted "free" aid like scholarships and grants, the Stafford loan is an excellent choice for both undergraduate and graduate students. It has more generous repayment terms and less stringent credit requirements than alternative private loans. Stafford loans offer:

- Low interest rates

- A grace period when you leave school
- No required payments while you attend school at least half-time
- No prepayment penalty
- No required co-signer or credit check

AES offers several Stafford loan programs:

- [Stafford](#)
- [KeystoneBEST](#): students who are eligible and select a KeystoneBEST participating lender will receive a reduced fee

Why should I work with AES?

- Choose to pay by direct debit and (if eligible) reduce your interest rate by .25%.
- [Manage your loans online any time.](#)
- Get single-point servicing for the life of the loan with AES.
- We help you every step of the way, from [choosing a loan](#) to repaying your loan.

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Repayment

What are my repayment options?

The standard repayment period is 10 years. Loans become due for repayment when you:

- Graduate
- Drop below half-time enrollment
- Leave school for period of time or take a semester off

We understand that things do not always go as planned, so we offer several repayment plans:

- **Level.** Pay the same amount each month on the principal and interest throughout repayment.
- **Graduated.** Pay a smaller amount at the beginning of repayment and increase your payment amount over time.
- **Income Sensitive.** Base your monthly payment amount on your gross income and student loan debt for a limited period of time.

What if I pay my loan off early?

You can pay your loan off early without penalty. This is known as prepayment