

Federal Student Loan Programs

Will you need a loan to attend college?

If you need a loan to help cover the cost of a college or career school education, think federal student loans first. Both federal and private student loans are borrowed funds that you must repay with interest, but federal student loans usually offer lower interest rates and have more flexible repayment terms and options than private student loans.

1. What is a federal student loan?

A federal student loan is made through a loan program administered by the federal government.

2. What is a private student loan?

A private student loan is a nonfederal loan made by a private lender, such as a bank or credit union. The terms and conditions of private student loans are set by the lender, not the federal government. If you're not sure whether you're being offered a private loan or a federal loan, check with the financial aid office at your school.

3. Why are federal student loans usually a better option for paying for a college or career school education?

Federal student loans offer many benefits that don't typically accompany private loans. These include fixed interest rates, income-based repayment plans, loan cancellation for certain types of employment, deferment (postponement) options, and interest rate reduction based on repayment method. Also, private loans usually require a credit check, while most federal loans for students do not. For these reasons, students and parents should always exhaust federal student loan options first before considering a private loan.

4. How much should I borrow?

You can determine whether you need a loan and how much you need to borrow by adding up the total cost of your education (tuition, fees, room and board, etc.) and subtracting the amount of scholarships, grants, and savings you have to contribute to those costs. You should borrow only what you need, and consider the earning potential in your chosen profession to determine how easily you'll be able to repay your debt. You can find salary estimates for various occupations in the U.S. Department of Labor's Occupational Outlook Handbook at <https://www.bls.gov/ooh>. Your student loan payments should be only a small percentage of your salary after you graduate.

Have questions? Contact or visit the following:

- [StudentAid.gov](https://studentaid.gov)
- a school's financial aid office
- customerservice@studentaid.gov
- 1-800-4-FED-AID (1-800-433-3243)

What kinds of federal student loans are available?

The interest rates shown are fixed for the life of the loan.

Federal Loan Program	Program Details	Annual Award (subject to change)
Direct Subsidized Loans	<ul style="list-style-type: none"> For undergraduate students with financial need For loans first disbursed on or after July 1, 2021, and before July 1, 2022, the interest rate is 3.73% You're not usually charged interest on the loan during certain periods, such as when you're in school at least half-time The U.S. Department of Education (ED) is the lender; payment is owed to ED 	<p>Up to \$5,500 depending on grade level and dependency status*</p> <p>For total lifetime limit, go to StudentAid.gov/sub-unsub</p>
Direct Unsubsidized Loans	<ul style="list-style-type: none"> For undergraduate, graduate, and professional degree students; financial need isn't required For loans first disbursed on or after July 1, 2021, and before July 1, 2022, the interest rate is <ul style="list-style-type: none"> 3.73% for loans made to undergraduate students, and 5.28% for loans made to graduate and professional degree students You're responsible for paying the interest during all periods ED is the lender; payment is owed to ED 	<p>Up to \$20,500 (less any subsidized amounts received for same period) depending on grade level and dependency status*</p> <p>For total lifetime limit, go to StudentAid.gov/sub-unsub</p>
Direct PLUS Loans	<ul style="list-style-type: none"> For parents who are borrowing money to pay for their dependent undergraduate child's education, and for graduate or professional degree students;* financial need isn't required For loans first disbursed on or after July 1, 2021, and before July 1, 2022, the interest rate is 6.28% You must not have an adverse credit history (unless you meet certain additional eligibility requirements)** ED is the lender; payment is owed to ED 	<p>Maximum amount is the cost of attendance (determined by the school) minus any other financial aid the student receives</p>

*Learn about dependency status at [StudentAid.gov/dependency](https://studentaid.gov/dependency).

**Learn about PLUS loans and adverse credit at [StudentAid.gov/plus](https://studentaid.gov/plus).

Note: Find interest rates on loans disbursed before July 1, 2021, at [StudentAid.gov/interest](https://studentaid.gov/interest).

For more information on loans, visit [StudentAid.gov/loans](https://studentaid.gov/loans). Find this fact sheet at [StudentAid.gov/resources#loan-programs](https://studentaid.gov/resources#loan-programs).

November 2021