

Graduate Student Loans: Stafford Loans

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Graduate school is expensive, but the reward of pursuing higher education is priceless. To make ends meet in graduate school, students need to recognize their government funding resources. One of the primary and most helpful loans for graduate students is a **Graduate Stafford Loan**.

The first component to understanding Stafford Loans is to note the differences between the subsidized and unsubsidized versions of the loans. For a graduate to be awarded a **subsidized Stafford Loan**, he or she must demonstrate a financial need. Once earned, a subsidized Stafford Loan is beneficial because the government pays the interest, while the student is attending school. Also, there is a six month “grace period” afforded to the student after graduation, during which they do not have to make payments. When the grace period expires, then repayment begins. For the **unsubsidized Stafford Loans**, there are significant differences. The graduate student is responsible for the interest accruing while in school, although *actual* repayment is deferred until after graduation. The interest accumulates and is added to the loan balance. Unsubsidized Stafford Loans are available to all students, no matter the level of need.

Stafford Loans also have the variation between Federal Family Education Loan Program providers (FFELP) and Federal Direct Student Loan Program (FDSLPL). FFELP loans are provided by private lenders, which include banks and loan associations. FDSLPL loans are provided directly from the government to students, and administered by Direct Lending Schools.

Beginning, on July 1, 2007, Stafford Loans will permit graduate students to borrow \$20,500 per year, which is an increase from the previous maximum of \$18,500. However, it is important to discern that only \$8,500 of that can be subsidized. It is not uncommon for a graduate student, if eligible, to combine both subsidized and unsubsidized loans to take out the most funding available.

Now, that it's clear as to which Stafford Loan charges in-school interest and which doesn't, it's imperative to be prepared for the interest rates. Interest rates are subject to change annually on July 1. For Stafford Loans that were disbursed **before July 1, 2006** the fixed interest rate stands at 6.8%. Loan lenders offer the same interest rate. However, loyal lenders such as Graduate Student Loans will offer additional discounts as borrower benefits. For example, an interest rate reduction, if the borrower consolidates their loans with them and sets up an auto-debit account and an additional decrease if the borrower makes consecutive on-time payments.

Be advised that there are fees to take out Graduate Stafford Loans. There is a 1% guarantee fee. On July 1, 2006 the guarantee fee was made mandatory. A second fee of 2% (dropped from 3%) is called the origination fee, and is successively dropping .5% each year, until completely phased out. Fees are conveniently deducted from disbursement checks.

Make the most of available government funding. To apply for a Stafford Loan, a graduate student must complete and submit a Free Application for Federal Student Aid. This is the procedure for both unsubsidized and subsidized Stafford Loans. The application will determine financial need for subsidized and is necessary for the processing of the unsubsidized.

Helpful Links:

How to find a FAFSA
<http://www.fafsa.ed.gov>

Direct Loan Home Page
<http://www.ed.gov/offices/OSFAP/DirectLoan/index.html>

Federal Student Aid, Stafford Loans -
<http://studentaid.ed.gov/PORTALSWebApp/students/english/studentloans.jsp?tab=funding>