



# 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 WITH SCHOLARSHIPS AND GRANTS. AN ALTERNATIVE LOAN IS A PRIVATE EDUCATION LOAN, WHICH 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"> <li>All Federal Stafford loans disbursed on/after July 1, 2008 and before July 1, 2009 will be 6.8% with the exception of the undergraduate, subsidized Stafford loan which will be 6%.</li> <li>Some lenders offer repayment incentives such as interest rate reductions for on-time payments and auto-debit payments.</li> </ul>	<ul style="list-style-type: none"> <li>Variable interest rate determined monthly or quarterly based on Prime or LIBOR rate plus a margin.</li> <li>May be as high as 18% – 21% and is not capped.</li> </ul>															
Fees	<ul style="list-style-type: none"> <li>As of July 1, 2008, origination fees will not exceed 1%.</li> <li>AES will pay the 1% federal default fee on behalf of lenders who participate in the KeystoneBEST<sup>SM</sup> Loan Program.*</li> </ul> <p>* Borrowers must be a PA resident or a non-PA resident attending a PA school and select a KeystoneBEST<sup>SM</sup> participating lender. Borrowers should contact their lender and/or AES customer service for additional information regarding program benefits or eligibility requirements. Program benefits are subject to change and/or cancellation.</p>	<ul style="list-style-type: none"> <li>Fees vary among lenders and may go up to 9%.</li> <li>Often, fees will be determined in part by measure of creditworthiness.</li> </ul>															
Credit Requirements	<ul style="list-style-type: none"> <li>No credit check required.</li> </ul>	<ul style="list-style-type: none"> <li>Terms vary by lender, most of whom use credit scores or debt-to-income ratios to determine creditworthiness, interest rates, and fees.</li> <li>International students usually borrow with a creditworthy U.S. citizen cosigner.</li> </ul>															
Loan Limits	<p><b>Federal Limits are as follows:</b></p> <table border="1"> <thead> <tr> <th>Annual Loan Limit</th> <th>Subsidized or Unsubsidized Loan</th> <th>Additional Unsubsidized Eligibility for Independent Students*</th> </tr> </thead> <tbody> <tr> <td>1st Year Undergraduate</td> <td>\$3,500</td> <td>\$4,000</td> </tr> <tr> <td>2nd Year Undergraduate</td> <td>\$4,500</td> <td>\$4,000</td> </tr> <tr> <td>3rd Undergraduate and Beyond</td> <td>\$5,500</td> <td>\$5,000</td> </tr> <tr> <td>Graduate or Professional Student</td> <td>\$8,500</td> <td>\$12,000</td> </tr> </tbody> </table> <p>* Or dependent students whose parents are denied a federal Parent PLUS loan. The amount an independent student or eligible dependent student can borrow under the unsubsidized Federal Stafford Loan Program during an academic year is: (A) the amount indicated in the first column minus the subsidized loan amount for which the student is eligible, plus (B) the amount indicated in the second column.</p> <p>NOTE: Amounts may be prorated for students attending less than a full academic year.</p> <ul style="list-style-type: none"> <li>Loan amounts may vary for students completing a teacher certification or who are enrolled in preparatory coursework.</li> <li>Students attending certain schools specializing in the health professions may be eligible for higher annual and aggregate unsubsidized loan limits.</li> <li>Please contact your school's Financial Aid Office regarding your specific Stafford loan eligibility.</li> </ul>	Annual Loan Limit	Subsidized or Unsubsidized Loan	Additional Unsubsidized Eligibility for Independent Students*	1st Year Undergraduate	\$3,500	\$4,000	2nd Year Undergraduate	\$4,500	\$4,000	3rd Undergraduate and Beyond	\$5,500	\$5,000	Graduate or Professional Student	\$8,500	\$12,000	<ul style="list-style-type: none"> <li>Student (typically with cosigner) may borrow up to the cost of attendance less other aid.</li> <li>Limits depend on maximums established by lenders, as well as borrower and co-borrower credit scores.</li> </ul>
Annual Loan Limit	Subsidized or Unsubsidized Loan	Additional Unsubsidized Eligibility for Independent Students*															
1st Year Undergraduate	\$3,500	\$4,000															
2nd Year Undergraduate	\$4,500	\$4,000															
3rd Undergraduate and Beyond	\$5,500	\$5,000															
Graduate or Professional Student	\$8,500	\$12,000															

	Federal Stafford Loan (cont.)	Alternative Loan (cont.)
<b>Interest Accrual</b>	<ul style="list-style-type: none"> <li>• <b>Subsidized Loans</b> – The federal government pays the interest while you are in school, during your grace period or during any deferment period.</li> <li>• <b>Unsubsidized Loans</b> – You are responsible for interest payments and can choose to pay them while in school.</li> </ul> <p>NOTE: The unsubsidized interest can be capitalized if requested.</p>	<ul style="list-style-type: none"> <li>• Accrued interest may be capitalized monthly, quarterly, or once at repayment.</li> </ul>
<b>Cancellation</b>	<ul style="list-style-type: none"> <li>• You are generally obligated to repay your student loan(s) regardless of what happens.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative loans are not insured against death or disability.</li> <li>• Insurance may be available at an extra cost to borrowers.</li> </ul>
<b>Repayment Terms</b>	<ul style="list-style-type: none"> <li>• No payments while you attend school at least half-time.</li> <li>• Six month grace period when you leave school.</li> <li>• No penalties for paying off your loan early.</li> <li>• Take 10 years to repay – longer with flexible repayment options.</li> </ul>	<ul style="list-style-type: none"> <li>• Repayment varies by lender and may begin immediately or be deferred until six months after student ceases half-time enrollment.</li> <li>• Students may select from several repayment plans, and most lenders allow prepayment and early payoff without penalty.</li> </ul>
<b>Deferment and/or Forbearance</b>	<ul style="list-style-type: none"> <li>• Various deferment and forbearance options are available.</li> </ul>	<ul style="list-style-type: none"> <li>• Deferment options vary widely and are generally less flexible than Stafford loan deferments.</li> </ul>
<b>Consolidation</b>	<ul style="list-style-type: none"> <li>• Loan consolidation may be an option if you have significant student loan debt and/or different types of student loans.</li> </ul>	<ul style="list-style-type: none"> <li>• Many alternative lenders offer consolidation options, but interest rates are variable and scaled to credit.</li> </ul>

For more information, visit [aesSuccess.org](https://aesSuccess.org) or call **800.692.7392**.