



# 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"> <li>All Federal Stafford loans first disbursed on/after July 1, 2008 and before July 1, 2009 have a fixed interest rate of 6.8% with the exception of the undergraduate, subsidized Stafford loan which is 6%.</li> <li>Some lenders offer repayment incentives such as interest rate reductions for 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><small>* 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.</small></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	<ul style="list-style-type: none"> <li>Please contact your school's Financial Aid Office regarding your specific Stafford loan eligibility.</li> <li>Visit <a href="http://aesSuccess.org">aesSuccess.org</a> to view the Federal Stafford loan limits.</li> </ul>	<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>
Interest Accrual	<ul style="list-style-type: none"> <li><b>Subsidized Stafford Loans</b> – The federal government pays the interest during in-school, grace and authorized deferment periods.</li> <li><b>Unsubsidized Stafford Loans</b> – You are responsible for paying the interest that accrues from the date of disbursement until the loan is paid in full.</li> </ul> <p><small>NOTE: Accrued and unpaid interest may be capitalized according to Federal regulation.</small></p>	<ul style="list-style-type: none"> <li>Accrued interest may be capitalized monthly, quarterly or once at repayment.</li> </ul>
Cancellation	<ul style="list-style-type: none"> <li>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.</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>

	Federal Stafford Loan (cont.)	Alternative Loan (cont.)
<b>Repayment Terms</b>	<ul style="list-style-type: none"> <li>No principal payments are due during in-school, grace and deferment periods.</li> <li>The six-month grace period begins the day after you cease to be enrolled at least half-time.</li> <li>There are no penalties for paying off your loan early.</li> <li>Depending on the amount borrowed, you may have 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> <li>During deferment or forbearance, loan payments are postponed or reduced.</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>Federal education loans may be consolidated, combined into a single loan, at a fixed interest rate not to exceed 8.25%.</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](http://aesSuccess.org) or call [800.692.7392](tel:800.692.7392).

PHEAA/AES is one of many Guarantors participating in the Federal Family Education Loan Program (FFELP). A student or parent borrower may obtain a FFELP loan from a lender that uses PHEAA/AES as the Guarantor or any other participating lender.

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