

## Student Loans

### Student Loan Basics

Student loans can be generally broken into the categories of federal and private student loans. Private student loans are loans students borrow from lending agencies, with credit requirements, interest rates and repayment schedules set by the lenders, rather than by the Department of Education. Federal loans, on the other hand, are available for both students and parents, and have uniform rates and requirements. The most common federal loans are Stafford Loans, Perkins Loans, and PLUS Loans.

Federal loans for student borrowers are the most widely available form of federal student financial aid, and are what many people first think of when they hear the term "student loans." This aid is available in two varieties: subsidized and unsubsidized federal student loans.

Perkins Loans are a type of subsidized student loans, with a fixed interest rate of 5% that does not start accruing until repayment starts, typically 9 months after graduation. Similarly, subsidized Stafford Loans, often referred to as the "good" kind of Stafford Loan, do not accrue interest while borrowers are enrolled in college. Students begin paying interest on subsidized Stafford Loans (6.8% in 2013-2014) 6 months after graduation, when they begin repaying the loans.

Federal unsubsidized Stafford Loans, on the other hand, charge borrowers interest while they are in school. While students must have unmet financial need in order to be awarded a subsidized Stafford Loan or a Perkins Loan, unsubsidized Stafford Loans can be awarded as long as the student's total financial aid does not exceed their total cost of attendance.

There are limits on how much students can borrow each year in federal loans, but there is no annual cap on Federal PLUS Loans. PLUS Loans are taken out by parents and typically come with slightly stricter borrowing requirements than Stafford Loans and Perkins Loans, which cannot be denied to a student based on credit or employment status. A PLUS Loan application requires a credit check, but getting approved has become easier, and additional unsubsidized Stafford Loans are available to student borrowers if their parents' PLUS Loan application is denied.

### Applying for Student Loans

You apply for federal student loans by completing the FAFSA on the Web (the Free Application for Federal Student Aid), an application also required for Federal Pell Grants and other state and federal grant programs. While Stafford Loans can be awarded at any time to any student who meets basic eligibility requirements, Perkins Loans are awarded by the school based on financial need and when the student applied for financial aid. Continue your scholarship search, as well, but be sure to research your options for student loans.

In addition to federal student loans, many students may also need to take out private student loans, and after graduation, many students may want to consolidate their student loans. Basic information about applying for, repaying, and consolidating both federal and private loans is available below.

### **Private Student Loans**

For students who need more financial aid beyond the scholarships or grants, and federal student loans they may have already been awarded, but for whom PLUS Loans are not an option, private student loans are often the most attractive way to pay for school. Many banks offer private student loans, and it's very likely that your local bank or your Stafford Loan lender (if you go to a college participating in the FFEL program) also offers private student loans. Different lenders may have different requirements, rates, and repayment schedules, so it's possible for a wide variety of students to find private student loans that work for them and their situation. Private loans can also be faster to get than federal loans, depending on requirements and processing time, which also adds to their appeal.

Private student loan applications are typically available online, through your lender of choice, or from your school's financial aid office. Many private student loans require school certification, where the school verifies that the amount requested fits within the student's budget or cost of attendance. Other private loans don't require school certification and disburse funds directly to the student, though they still ask that you use the money to pay for educational expenses. Even if your loan does not require school certification, calculating your college costs and how much you really need to borrow is important to keep from over-borrowing.

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