



Stafford Loans: 101

Stafford loans are federal education loans with one of the lowest interest rates of any education loans available. For this reason, borrowers should be certain to maximize all Stafford loan options before borrowing other loans.

What is a Stafford Loan?

Stafford Loans are federal fixed-rate (meaning the interest rate remains the same throughout the term of the loan, currently 6.8%) student loans for graduate students, who enroll at least half-time, to help pay for their education. These loans, low cost and the most common, are available through the federal government's Direct Loan Program or through the Federal Family Education Loan Program (FFELP) (from private lenders, banks or credit unions). Your medical school will participate in one of these two programs which determines the loan program from which you will borrow.

How Is Eligibility Determined?

In order to apply for a Stafford Loan, you must first complete the Free Application for Federal Student Aid (FAFSA). The resulting Institutional Student Information Report (ISIR) is sent to your school and determines your need. This sets the stage for how much loan funding to borrow. Whether you apply electronically or complete a hard copy loan application, the financial aid office must certify your eligibility before the application can be processed by the



lender. To certify loan eligibility, the financial aid office determines your "financial need" using your medical school's Cost of Attendance (COA – see "Determining COA" box, right).

Two Types of Stafford Loans – Subsidized and Unsubsidized

While subsidized Stafford loans are awarded based on financial need, *unsubsidized* Stafford loans can be awarded to any eligible applicant, and are not based on financial need. Interest on subsidized Stafford loans is paid by the federal government while you are enrolled (at least half-time) and during periods of authorized deferment. Interest on *unsubsidized* Stafford loans accrues from the date the loan is disbursed until it is paid in full.

How Much Can I Borrow?

Students should only borrow what's needed to meet their personal budget or cost of attendance. The annual maximum subsidized Stafford loan amount for graduate students is \$8,500; the annual maximum *unsubsidized* Stafford loan amount is \$32,000. Using the example below, to meet a \$37,694 "need", a student would borrow \$8,500 through a subsidized Stafford loan and \$29,194 via an *unsubsidized* Stafford loan.

Determining COA

The formula is straight forward – "cost of attendance (COA)" minus the "expected family contribution" (from the ISIR) and minus any financial aid = need.

\$44,444	Cost of Attendance
– \$6,750	Family Contribution
\$37,694	Need

Remember to always contact your medical school financial aid office with questions about borrowing or student loans.