

Direct Federal Stafford Loans

The Federal Stafford Loan program provides both **subsidized** (need-based) and **unsubsidized** (non-need-based) loans to qualifying students. Federal Stafford Loans disbursed before July 1, 2006 have a variable interest rate with an 8.25 percent cap. New Federal Stafford Loans disbursed on or after July 1, 2006 have a fixed 6.8 percent interest rate. Starting in the 2009-2010 academic year, the University of Detroit Mercy will participate in the Federal Direct Loan Program which means that the school will process loan applications internally and receive all Federal Stafford Loan funds directly from the US Department of Education rather than from banks or other lenders. All loan recipients will need to complete a new Federal Direct Loan Program Master Promissory Note online to receive funds.

Interest on **subsidized** Federal Stafford Loans is paid by the federal government until six months after the borrower graduates, leaves the institution, or reduces enrollment to less than half-time. These loans are based on financial need and are limited to no more than \$8500 annually.

Interest on **unsubsidized** Federal Stafford Loans accrues from the time of disbursement and may be paid on a regular basis or deferred during periods of enrollment of at least a half-time basis. Deferred interest is capitalized at the time repayment begins. These loans are not based on need and may range up to \$20,500 minus any subsidized Stafford amount.

Repayment on both subsidized and unsubsidized Federal Stafford Loans begins six months after the borrower graduates, leaves the institution, or reduces enrollment to less than half-time. The standard repayment term is ten years, but students who borrow more than \$30,000 in federal loans may take advantage of a 25-year extended program to repay their loans.

Federal Stafford Loans, at the option of the student, may be consolidated upon graduation with the student's other federal student loans, such as Guaranteed Student Loans, National Direct Student or Federal Carl Perkins Loans, SLS/ALAS Loans, Health Professions Loans, HEAL Loans, etc., to provide lower monthly payments and to extend the repayment period based upon the total amount of federal loans outstanding. Students who have loans exceeding \$60,000 may extend their repayment up to 30 years.

Repayment periods exclude periods of deferment.

Deferments may be requested in certain cases when a borrower returns to school, is unemployed, is on active duty in the military, suffers an economic hardship or meets other conditions. More information on deferments is available from the Financial Aid Office and the U.S. Department of Education.

Some students may qualify for partial loan forgiveness or repayment. Students who teach (K-12); who work in the public interest or in community service; who are employed by government agencies or non-profit employers (excluding positions which involve religious-based activities); or who work in Americorps or military service positions may be eligible for one or more partial forgiveness or repayment programs.

Each borrower should review all options upon graduation to determine the repayment arrangement best suited to his or her needs.