

The Direct Stafford Loan Program

There are two types of federal Stafford loans: subsidized and unsubsidized. A subsidized federal Stafford loan is a need-based loan in which the federal government pays the interest on the loan while the student is in school or in deferment. Under the unsubsidized federal Stafford Loan, the student is responsible for the interest on the loan during both in-school and deferment periods. This loan program enables eligible students to borrow from their freshman to senior year. Repayment of the principal begins six months after the student's graduation, leaving school or falling below half-time enrollment. No interest accrues, nor do payments have to be made on the principal while the student is enrolled in an eligible institution for at least half-time. The Department of Education charges an origination fee. These fees are deducted from the total amount of the loan.