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# Major Federal Financial Aid Programs

There are several federal financial aid programs that can help students and their families pay for college and graduate school. These include federal loans, grants, and work-study. To be considered for any these programs, you must fill out the government's Free Application for Federal Student Aid form, or FAFSA.

## Loans

The main federal education loans are the Direct Subsidized Stafford Loan, the Direct Unsubsidized Stafford Loan, the Direct PLUS Loan, and the Perkins Loan. Federal education loans generally offer more generous repayment options than private student loans.

## Direct Stafford Loans

Direct Stafford Loans are low-interest, federal student loans that can be either subsidized or unsubsidized. Subsidized loans are only available to undergraduate students with financial need; unsubsidized loans are available to undergraduate and graduate students and are not based on financial need. With a subsidized loan, the federal government pays the interest that accrues while the student is in school, during the six-month grace period after graduation, and during any deferment periods. With an unsubsidized loan, the borrower is responsible for paying the interest that accrues during these periods.

## Direct PLUS Loans

Direct PLUS Loans are unsubsidized loans made to parents with good credit histories who want to help pay for their dependent child's undergraduate education (Parent PLUS Loans) or to graduate and professional students (Grad PLUS Loans). Like unsubsidized Stafford Loans, PLUS Loans are not based on financial need, but borrowers must pass a credit check.

PLUS Loans have no dollar borrowing limits per year; graduate students and parents are able to borrow up to the full cost of attendance. Graduate borrowers who obtain Grad PLUS Loans have a six-month grace period before they must start repaying their loans. However, parents who obtain a Parent PLUS Loan have no grace period; once the funds are dispersed, parents must begin to repay the loan within 60 days of the last disbursement for that academic year.





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## **Perkins Loan**

A Perkins Loan is low-interest federal loan available to undergraduate and graduate students with the greatest financial need (i.e. the lowest expected family contributions, or EFCs). The Perkins Loan program is a campus-based program, which means the loan is available only from individual colleges, not the federal government. The Perkins Loan program is a first-come, first-served program. Each college receives a certain amount of money for this program, and once the funds are awarded, there are no more until the following year.

## **Grants**

There are two main federal education grants: the Pell Grant and the Supplemental Educational Opportunity Grant (SEOG).

Pell Grants are reserved for undergraduate students with the greatest financial need, and the grant is available to all students who qualify. The SEOG is also reserved for undergraduate students with the with the greatest financial need. The SEOG is administered on campus, which means that each college receives a limited amount of money for this program, and the financial aid administrator at each college decides which students will receive this grant based on their level of financial need.

## **Work-study**

The federal work-study program is a federally-sponsored financial aid program that subsidizes jobs for both undergraduate and graduate students. It is based on a student's financial need.

The federal work-study program is a campus-based program. This means that each college receives a certain amount of money for the program, and once the money is awarded, there is no more until the following year. If your child qualifies for a work-study job, the amount of the total work-study award will depend on your child's level of financial need, the time your child applies, and the total funds available at your child's college or university. Jobs can be either on- or off-campus, and they pay at least minimum wage. Money earned in a work-study job is paid directly to the student at least once per month.



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