

Stafford Loan

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A **Stafford Loan** is a [student loan](#) offered to eligible students enrolled in accredited [American institutions](#) of [higher education](#) to help finance their education. The terms of the loans are described in Title IV of the [Higher Education Act of 1965](#) (with subsequent amendments), which guarantees repayment to the lender if a student defaults.

In 1988, Congress renamed the Federal Guaranteed Student Loan program the Robert T. Stafford Student Loan program, in honor of [U.S. Senator Robert Stafford](#), a [Republican](#) from [Vermont](#), for his work on higher education.^[1]

Because the loans are guaranteed by the full faith of the US Government, they are offered at a lower interest rate than the borrower would otherwise be able to get for a private loan. On the other hand, there are strict eligibility requirements and borrowing limits on Stafford Loans.

Students applying for a Stafford Loan or other federal financial aid must first complete a [FAFSA](#). Stafford Loans are available to students directly from the [United States Department of Education](#) through the [Federal Direct Student Loan Program](#) (FDSLPL, also known as Direct).

No payments are expected on the loan while the student is enrolled as a full- or half-time student. This is referred to as in-school deferment. Deferment of repayment continues for six months after the student leaves school either by graduating, dropping below half-time enrollment, or withdrawing. This is referred to as the grace period.

Stafford Loans are available both as [subsidized](#) and unsubsidized loans. Subsidized loans are offered to students based on demonstrated financial need. The interest on Subsidized loans is paid by the federal government while the student is in school, during the grace period, and during authorized deferment. For unsubsidized Stafford Loans, students are responsible for all of the interest that accrues while the student is enrolled in school. The interest may be deferred throughout enrollment. Unpaid interest that is deferred until after graduation is capitalized (added to the loan principal).

The [Budget Control Act of 2011](#), eliminates subsidized Stafford loans for graduate and professional students effective July 1, 2012. Unsubsidized Stafford loans will still be available to these students.

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Interest rates

[Interest](#) on Stafford Loans may vary and are determined based upon the date the loan was disbursed.

For variable rate loans, the rates are set annually using the price of the 91-day [Treasury bill](#) on the last Monday of May, and become effective for the following year on July 1. For fiscal year 2008-2009 the 91-day [Treasury bill](#) auctioned on May 27, 2008 at 1.905% (rounded to 1.91%) are used for the calculation.^[2] On May 26, 2009 the 91-day [Treasury bill](#) was auctioned at an investment rate of 0.178%.^[3] On July 1, 2009, the base rate for variable rate Stafford Loans were adjusted to 0.18%. Loans issued before July 1, 1998 were adjusted to a rate of 3.28%. Loans issued July 1, 1998–June 30, 2006 were adjusted to a rate of 2.48%.

As of July 1, 2006 all Stafford Loans are issued with a [fixed interest](#) rate. For Direct loans and most loan providers, the rate is currently set at 6.80% for unsubsidized loans, with lower rates for subsidized loans for undergraduates until July 1, 2012. The fixed rate for all new subsidized loans will then be changed to 6.80%.

See also

- [Loan waiver](#)

References

1. [^ http://www.cnn.com/2006/POLITICS/12/23/stafford.obit.ap/index.html](http://www.cnn.com/2006/POLITICS/12/23/stafford.obit.ap/index.html)
2. [^ Student Aid on the Web](#)
3. [^ Institutional - 2009 Treasury Securities Auction Press Releases: 13-week Bills](#)

External links

- [U.S. Dept. of Education: Stafford Loans \(FFELs and Direct Loans\)](#)
- [U.S. Dept. of Education: How to Choose and Evaluate Lenders](#)