

# CHAPTER ONE

## FEDERAL STAFFORD LOAN PROGRAM (SUBSIDIZED)

### GRACE PERIOD

- 6 months immediately following last date of attendance.

### SETTING UP REPAYMENT

- Borrower's responsibility to contact lender/servicer during 2nd month of grace period. First payment is due in the 7th month after leaving school.

**For all loans, be sure your lender/servicer is granting a grace period in addition to any deferment, economic hardship deferment or forbearance time.**

### RATES AND REPAYMENT

- All loans disbursed on or after 07/01/94 through 06/30/2006 - variable rate changes on July 1, capped at 8.25% unless loans are included in a consolidation prior to July 1, 2006.
- All loan disbursed after July 1, 2006 have a fixed interest rate of 6.8%.
- Once in repayment, the previous in-school, grace or deferment rate may increase slightly.
- Loans to new borrowers without any outstanding FFEL balances and disbursed after 10/01/92 and before 07/01/94 is variable rate capped at 9%.
- Borrowers of Federal Stafford Loans with interest rates of 7%, 8%, 9% or 10% prior to enactment of HEA amendments of 1992 which introduced the variable rate, continued to borrow at the rate previously borrowed until 07/01/94. If the loan was subject to the "windfall profits" provisions of the HEA (otherwise known as the rebate of excess interest provision) the lender was required to convert the loan to an annual variable rate no later than 01/01/95. The interest cap on these loans will be the rate applicable to the loans prior to conversion.
- The repayment period for a subsidized Federal Stafford begins the day after the expiration of the grace period.

### REPAYMENT PLAN

All borrowers of the FFEL Program whose loans were first disbursed on or after July 1, 1993 must be given a choice of the following repayment plans:

- **Standard Repayment Plan** - a fixed annual repayment amount paid over a fixed period of time.
- **Graduated Repayment Plan** - repayment amount changes over the repayment period.

Number of payments or fixed monthly repayment amount may be adjusted to reflect changes in the loan's variable interest rate.

- **Income Sensitive Repayment Plan** - annual adjustment is made to borrower's repayment schedule. Adjustment is based on amount of borrower's expected total monthly gross income from all sources during the course of repayment.

These plans may be available to other borrowers - check with your lender.

## **BORROWER'S FAILURE TO SET REPAYMENT**

Any borrower who fails to set up a repayment schedule before the expiration of the grace period is responsible for all accrued interest from that point until conversion to installment is complete.

## **REPAYMENT PERIOD**

Generally a lender/servicer must allow at least 5 years, but no more than 10 years, provided payment does not go below minimum payment (excludes any period of authorized deferment or forbearance).

In addition, a new borrower on or after October 7, 1998 may select an extended repayment schedule that allows for a repayment period of up to 25 years.

**DEFERMENT PROVISIONS}**

**FORBEARANCE}      See Chapter IV**

**CANCELLATION}**