



FAME
FINANCE AUTHORITY OF MAINE
Works for ME

PAYING FOR HIGHER EDUCATION

Borrowing for Your Education – Federal Student Loans

MANY STUDENTS CHOOSE TO BORROW to pay for school when there is a gap between savings, scholarships and the total cost of higher education. Federal student loans have many benefits, including flexible repayment options, and should be considered first.

For the most up-to-date information on federal student loan programs, including loan limits and interest rates, visit studentaid.ed.gov.

Federal Direct Loans

Federal Direct Loans are available to undergraduate and graduate students attending college at least half-time and can be one of the lowest-cost loan options. These loans are not credit-based, and nearly all students that complete the FAFSA (Free Application for Federal Student Aid) process are eligible to borrow Direct Loans. Loan amounts are based on school cost, enrollment and grade level.

There are two types of Federal Direct Loans: **subsidized*** and **unsubsidized**.

Interest does not accrue on subsidized loan balances while the student is in school or in deferment. Interest accrues at all times on unsubsidized loan balances. The borrower can opt to pay the interest or allow interest to be capitalized (added

HOW MUCH SHOULD YOU BORROW?

Limit total student loan debt to no more than your salary your first year of employment. Your total anticipated monthly payment should be no more 10% of your take home pay.

Use FAME's Student Loan Payment Calculator at FAMEmaine.com to help you figure out how much you should borrow based on expected future earnings.

to the principal of the loan). If the student does not pay interest while in school, the size of the loan increases.

Students must file the FAFSA to be considered for Direct Loans. First time borrowers must also complete a promissory note and entrance counseling at StudentLoans.gov.

Direct Loans:

- Are not credit-based.
- Are awarded by the financial aid office.
- Have their interest rate set annually by the federal government.
- Have payments deferred as long as the student is in school at least half-time.
- Provide a six-month grace period before loan payments begin.
- Have annual and aggregate loan limits.

*Subsidized loans are not available for graduate students.



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Annual and Aggregate Limits for Subsidized and Unsubsidized Loans

Student's Year in School	Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)**
First-Year Undergraduate	\$9,500—No more than \$3,500 of this amount may be in subsidized loans.
Second-Year Undergraduate	\$10,500—No more than \$4,500 of this amount may be in subsidized loans.
Third-Year and Beyond Undergraduate	\$12,500—No more than \$5,500 of this amount may be in subsidized loans.
Graduate or Professional Students	\$20,500 (unsubsidized only)
Subsidized and Unsubsidized (sum total)	\$57,500 for undergraduates—No more than \$23,000 of this amount may be in subsidized loans. \$138,500 for graduate or professional students—No more than \$65,500 of this amount may be in subsidized loans. The graduate aggregate limit includes all federal loans received for undergraduate study.
<p>**Amounts are less for dependent students (i.e. parent information is required on the FAFSA) For the most up-to-date information go to studentaid.ed.gov.</p>	

Federal Direct PLUS Loan

The Federal Direct PLUS Loan for parents of dependent students and graduate students is a credit-based loan that can help pay for expenses not covered by other financial aid. Interest will accrue while the student is enrolled and will be added to the original amount borrowed. Making at least interest-only payments while you are enrolled in school will help reduce the cost of this loan. The application is online at StudentLoans.gov.

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