Stafford Loan

A Stafford Loan is a student loan that is offered to eligible students in order to facilitate financing for their education. The loan itself is described in detail in Title IV of the Higher Education Act of 1965 that guarantees full payment to a lender if the student does not satisfy the terms. The loan offers rates that are much better than private loans since the US Government guarantees them in full.

With that said, these loans do have a very strict eligibility requirement that needs to be met before any money is given out. Students applying for these types of loans must first fill out a FAFSA. The Stafford Loan is available directly through the FDSLP (Federal Direct Student Loan Program) or from a private lender through the Federal Family Education Loan Program. (FFELP).

Students receiving these types of loans are not required to pay off the loan until they stop being a full or half time student in college. After the student leaves school, either by graduation or by not fulfilling the minimum credit requirements, a 6 month grace period kicks in. After that 6-month period, the loan repayment process begins.

Stafford Loans are available both as subsidized and unsubsidized loans. The difference being that subsidized loans are technically interest free for the time you are in college and for the 6 month grace period as the federal government will pay those recurring interest rates for the student. On the other hand, unsubsidized loans have interest added to the total amount even while you are still in college.