

Paying for Medical School with Stafford Loans

If you are planning to pay for medical school through a loan, the odds are you are going to take out a Stafford Loan. Stafford Loans are perfect for medical school students because of their locked interest rate and great repayment options. The interest rate for Stafford Loans is fixed at 6.8% for loans dispersed after July 1, 2006 and starts at a variable rate of 6.54% for loans dispersed prior to July 1, 2006. Either way, the interest rate is capped at 8.25%. With medical school Stafford Loans you have a 6 month grace period after you graduate to start repaying your medical school loan and you then have ten years to completely pay off your medical school loan, though through various channels you can receive an extension.

Medical school Stafford Loans can be subsidized or unsubsidized. When a loan is subsidized the federal government will pay your interest while you are in school, a grace period, or in deferment. Unsubsidized loans are loans in which you have to pay the interest on the loan, but payment is deferred until after you graduate. To receive a subsidized Stafford Loan a student needs to be able to exhibit financial need.

The amount of money you can borrow through Stafford Loans is dependent on just how far you plan to advance in your education. New borrowing laws will go into affect on July 1, 2007, which will allow for more borrowing than has previously been permitted. The following statistics are based upon this new data for dependent students, students who are legally still under their parents.

Medical School Student Borrowing Limits

- Per Year - \$40,500
- Cumulative Limit - \$189,125

The two different types of Stafford Loans are: Federal Family Education Loan Program (FFELP) Loans and Federal Direct Student Loan Program (FDSLPL) Loans.

Federal Family Education Loan Program (FFELP)

FFELP Loans are financed off of money from private lending institutions, including but not limited to-

- Banks
- Credit Unions
- Savings and Loan Associations

Though FFELP Loans are private, they are still insured against default through the federal government. The main advantage of FFELP Loans is that you have the choice to borrow from wherever you want to. Many schools have a preferred lenders list that will

provide you with solid borrowing options. The lenders on this preferred lenders list are recommended by the school as reputable and easy to work with. Though schools would rather that you borrow from one of their preferred lenders, you are not required to do so. The disadvantage to a FFELP Loan is that your loan can be resold resulting in a different institution handling your Stafford Loans. This can lead to unnecessary complications when you have any questions or concerns about your loan.

Federal Direct Student Loan Program (FDSLP)

FDSLP Loans are offered through certain colleges or universities known as Direct Lending Schools and are offered by the US Federal Government directly to students and their legal guardians. Direct Lending Schools loan money directly to students, eliminating the middleman in the equation. If you are attending one of these medical schools, you have the option of taking out FDSLP Loans or a combination of FDSLP and FFELP Loans. The downside to FDSLP Loans is that you are stuck with the schools set interest rate. However, by eliminating the middleman your loan will be easier and less stressful to manage.

For more information on student loans, go to these websites:

What government benefits am I eligible for? -

http://www.govbenefits.gov/govbenefits_en.portal?_nfpb=true&_pageLabel=gbcc_page_questionnaire&_nfls=false

Direct Loan Home Page -

<http://www.ed.gov/offices/OSFAP/DirectLoan/index.html>

Federal Student Aid, Stafford Loans -

<http://studentaid.ed.gov/PORTALSWebApp/students/english/studentloans.jsp?tab=funding>