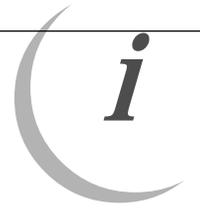


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# Introduction



*These loans are offered through two programs with different delivery systems: the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program. While the borrower's eligibility is the same under either program, the procedures are different because funds for Direct Loans are provided directly to the school by the federal government, while loan funds under FFEL are usually provided by a private lender and are guaranteed by a state agency.*

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Federally guaranteed loans were first authorized 35 years ago, in Part B of Title IV of the Higher Education Act of 1965 (HEA). For many years, these were termed “Guaranteed Student Loans.”

The Higher Education Amendments of 1992 (P.L. 102-325) renamed the guaranteed student loan programs the Federal Family Education Loan (FFEL) Program and the Student Loan Reform Act of 1993 authorized the Direct Loan Program, which is now Part D of the Higher Education Act. The Stafford and PLUS loans offered under these programs have the eligibility rules and the same annual and aggregate maximum amounts.

The main difference in the way schools administer the Direct and FFEL loan programs is the source of funds for borrowers. Funds for Direct Loans come from the federal government; loans made through the FFEL program are provided by private lenders and are insured by guaranty agencies and reinsured by the federal government. The federal guaranty on the FFEL loans replaces the security (the collateral) usually required for long-term consumer loans.

Note that although all FFEL-related guaranty agency procedures and policies must conform to the federal requirements discussed in this chapter, **individual guaranty agencies may have additional procedures and policies**. To obtain specific information about a guaranty agency's policies and procedures, contact that agency.

The following types of loans are available through both the Direct Loan and FFEL programs:

- **Subsidized Stafford Loans** are awarded to students who demonstrate financial need. Because the U.S. Department of Education (the Department) subsidizes the interest, borrowers are not charged interest while they are enrolled in school at least half time and during grace and deferment periods.
- **Unsubsidized Stafford Loans** are awarded to students regardless of financial need. Borrowers are responsible for paying the interest that accrues during any period. Independent students and students whose parents cannot get a PLUS have higher unsubsidized loan limits.

- **PLUS Loans** allow parents to borrow on behalf of their dependent undergraduate children who are enrolled at least half time. As with unsubsidized Stafford loans, borrowers are responsible for the interest that accrues on PLUS Loans throughout the life of the loan.
- **Consolidation Loans** allow any borrower to combine one or more federal education loans into a new Direct Loan or FFEL to facilitate repayment.

In this reference, unless specifically referred to as a Direct Loan or an FFEL, the terms “Stafford Loans,” “Consolidation Loans,” and “PLUS Loans” refer to loans in both programs.

## RECENT CHANGES

Please note that we have limited the focus of this Volume to the DL/FFEL program requirements that apply to participating schools. The chapters on borrower repayment issues (including deferment, cancellation, and consolidation) are being revised to make those materials more useful as counseling materials for schools, including information in formats accessible to the borrowers themselves. This information will be printed as a separate *Student Loan Guide*, but in a format consistent with the rest of the Handbook.

The regulations published on November 1, 2000 made only minor changes to the requirements for schools. However, you may also be interested in the newly-published rules for teacher cancellation and conditional cancellation for disability, which will appear in the Cancellation chapter of the *Student Loan Guide*.

We hope that you find the changes to this volume helpful. If you have questions or suggestions on ways to expand or improve the presentation of Stafford and PLUS loan issues, please feel free to e:mail our writing staff at:

[sfaschoolspubs@ed.gov](mailto:sfaschoolspubs@ed.gov)