

California Student Aid Commission

Loan Programs for Higher Education

Loan origination through the Federal Family Education Loan (FFEL) program ceased as of June 30, 2010. All new student loans are now being made through the federal Direct Loan program. This page is designed to help you stay connected with current information and several online resources about student loans for higher education.

Higher education is a powerful tool and investment for a person's future. Properly planned, a college education can provide wonderful returns in terms of both finances and overall quality of life. Higher education can also be expensive and therefore it is important to understand the costs and benefits of this investment.

Whether seeking advanced technical skills or a traditional college education, the cost of education can often exceed the financial resources of most individuals and families. However, this does not mean that advanced education or training is financially out of reach. A variety of financial assistance, called "financial aid", is available to almost everyone. Financial aid can encompass grants, scholarships, loans, tuition waivers, work study programs, and other types of aid. The Free Application for Federal Student Aid (FAFSA) determines your eligibility for most types of financial aid in addition to student loans.

It is important to work closely with your educational institution's financial aid office to develop a "package" that works for you.

Most "financial aid packages" today include student loans. Do not be surprised or frightened by this. Today's cost of education means that student loans have become a common part of paying for education for most students and families, if used wisely and applied toward the right education; this can be a worthwhile investment.*

Based on information you provide on the Free Application for Federal Student Aid (FAFSA), your particular educational institution can and will assist you in evaluating your options. Student loan options are as follows:

Direct Loans – These are loans made by the U. S. Department of Education (USDE). Most students or their parents qualify for Direct Loans or Direct PLUS Loans. Direct Loans will generally have the lowest ultimate cost to the borrower. Almost all schools participate in the Direct Loan program. The USDE has a Web site which can provide additional information: www.studentloans.gov.

Private Loans – These are student loans made by other entities such as private student loan companies, banks, credit unions, some state agencies, employers, and even individuals. In some cases, the educational institution itself may offer student loans. Private loans are usually more costly but can be helpful to meet financial needs not covered by Direct Loans and other forms of financial aid. They also tend to have some options for borrowers with an adverse credit history.

Other governmental education loans – There can be other student loans available, depending upon your particular school and/or field of study. The school's financial aid office can assist you in looking at such loans.

Some additional important points on student loans:

1. Student loans should generally be the aid of 'last resort'. The student or family should look to all other types of financial aid first. These other sources might include federal or state grants, scholarships, tuition discounts or waivers, part-time work programs, and employer education programs. Again, the FAFSA will determine if student loans are needed to offset expenses not covered by other types of financial aid.
2. Student loans are "loans", not grants, gifts, or scholarships. That means the money is borrowed and must be paid back and will include interest. While this requirement is important, it does not mean you should not borrow the money. However, it does mean that borrowing should be done carefully and thoughtfully.
3. Borrowing should be for educational costs only and should not be used for things not related to your education. Remember that the money you borrow for attending college will need to be repaid in the future.
4. Be sure that any borrowing is appropriate for the expected return on the loan investment. For example, it might not be wise to borrow \$50,000 to get an education or training for a job that is likely to pay \$20,000. In order to accurately project future earnings potential, there are a variety of sources that allow you to look at this important question. Career counseling centers are an example of one such source. Another source is an online tool supported by the U.S. Department of Labor: <http://online.onetcenter.org/>
5. You should be aware that, particularly for federal loans, there are a variety of loan payback options, such as income based repayment plans. These are intended to ensure the repayment process will be affordable for the student borrower. Private loans often also have repayment flexibility designed to help the borrower.
6. There may be loan forgiveness opportunities for borrowers entering certain career fields that have been designated as high need areas due to a shortage of skilled workers (such as allied health professions or teaching in low performing schools, or other high need subject areas). Depending upon various factors including career choices or work location, other parties such as the federal government or perhaps a state government might repay some or all of the loan debt over time if the borrower remains current on their payments. Such loan forgiveness programs have strict eligibility criteria and can change in the future. However, potential borrowers should be aware of the potential existence and applicability of such programs.
7. The Federal Direct Loan program offers a single set of standardized terms, interest rates, and eligibility criteria. However private loans can offer a variety of interest rates, fees, terms, and eligibility criteria. It is important to carefully analyze these varying loans to select the loan that is best for you and your educational needs.

8. Credit Cards do not offer the same terms and conditions as student loans. Many people are not aware that student loans can be used to pay for living expenses associated with going to college. It may be tempting to charge education related expenses to a credit card however credit card companies do not allow you to defer payments while you are still attending school. Federal student loan payments are deferred while you are still enrolled in school, and may remain deferred for up to six months after graduation from college. Take the time to complete the FAFSA and review all of your options with your financial aid office to determine a way to fund your education without using credit cards.

*A worthwhile investment in the right education depends on your own individual preference. For instance, do you plan to continue your education beyond a bachelor's degree? Do you intend to transfer credits to another institution in the future? Before enrolling, ask the admissions counselor at the college of your choice if the credits (or units) you earn will be accepted at another college or not. If not, and you answered yes to the above questions, this may lead to additional courses and expenses later. Before enrolling, compare the costs of attending the college of your choice with other institutions with the same academic programs by visiting the Web sites of various schools. Another online tool for comparing costs and academic programs at various schools is the "College Guide" at: www.cpec.ca.gov.

Students and families may still visit the EdFund Website, www.edfund.org, for additional financial aid tools and information.