

Activity 11: Federal Loan Programs and Work-Study

Federal Work-Study (FWS)

Federal Work-Study (FWS) provides part-time jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to the recipient's course of study.

Will I be paid the same as I would in any other job?

You will be paid by the hour if you are an undergraduate. No FWS student may be paid by commission or fee. Your school must pay you directly (unless you direct otherwise) and at least monthly. Wages for the program must equal at least the current federal minimum wage but might be higher, depending on the type of work you do and the skills required. The amount you earn cannot exceed your total FWS award. When assigning work hours, your employer or financial aid administrator will consider your award amount, your class schedule, and your academic progress.

What kinds of jobs are there in Federal Work-Study?

If you work on campus, you will usually work for your school. If you work off campus, your employer will usually be a private nonprofit organization or a public agency, and the work performed must be in the public interest.

Your school might have agreements with private for-profit employers for Federal Work-Study jobs. This type of job must be relevant to your course of study (to the maximum extent possible). If you attend a career school, there might be further restrictions on the jobs you can be assigned.

Federal Perkins Loans

A Federal Perkins Loan is a low-interest (5 percent) loan for both undergraduate and graduate students with exceptional financial need. Federal Perkins Loans are made through a school's financial aid office. Your school is your lender, and the loan is made with government funds. You must repay this loan to your school.

Your school will either pay you directly (usually by check) or apply your loan to your school charges. You'll receive the loan in at least two payments during the academic year.

How much can I borrow?

You can borrow up to \$4,000 for each year of undergraduate study (the total you can borrow as an undergraduate is \$20,000). The amount you receive depends on when you apply, your financial need, and the funding level at the school.

Other than interest, is there a charge for this loan?

No, there are no other charges. However, if you skip a payment, if it's late, or if you make less than a full payment, you might have to pay a late charge plus any collection costs.

When do I pay it back?

If you are attending school at least half time, you have nine months after you graduate, leave school, or drop below half-time status before you must begin repayment. This is called a "grace period." If you are attending less than half time, check with your college or career school to find out how long your grace period will be.

Stafford Loans (FFELs and Direct Loans)

In addition to Perkins Loans, the U.S. Department of Education administers the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Both the FFEL and Direct Loan programs consist of what are generally known as Stafford Loans (for students) and PLUS Loans (for parents).

Schools generally participate in either the FFEL or Direct Loan program but sometimes participate in both. Under the Direct Loan Program, the funds for your loan come directly from the federal government. Funds for your FFEL will come from a bank, credit union, or other lender that participates in the program. Eligibility rules and loan amounts are identical under both programs, but repayment plans differ somewhat.

How can I get a FFEL or Direct Loan?

For either type of loan, you must fill out a FAFSA. After your FAFSA is processed, your school will review the results and will inform you about your loan eligibility. You also will have to sign a promissory note, a binding legal document that lists the conditions under which you're borrowing and the terms under which you agree to repay your loan.

PLUS Loans (Parent Loans)

Parents can borrow a PLUS Loan to help pay your education expenses if you are a dependent undergraduate student enrolled at least half time in an eligible program at an eligible school. PLUS Loans are available through the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Your parents can get either loan, but not both, for you during the same enrollment period. They also must have an acceptable credit history.