

2011-2012 FEDERAL LOAN PROGRAMS

NEED - BASED LOANS

Federal Perkins Loan

A Federal Perkins Loan is a low-interest (5%) 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.

- **How much can I borrow?**

- o You can borrow up to \$5,500 for each year of undergraduate study (the total you can borrow as an undergraduate is \$27,500). 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?**

- o 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?**

- o If you're 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 "grace period." If you're attending less than half time, check with your college or career school to find out how long your grace period will be.

Stafford Loans (William D. Ford Federal Direct Loan)

A need-based government loan made to students rather than their parents. 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.

- **Update on Student Loan Programs**

- o As a result of the Health Care and Education Reconciliation Act, beginning July 1, 2010, federal student loans will no longer be made by private lenders under the Federal Family Education Loan (FFEL) Program. Instead, all new federal student loans will come directly from the U.S. Department of Education under the Direct Loan Program.
- o This change does not impact the process of applying for federal grants, loans and work-study or the amount of federal aid that students are eligible to receive.

- **How can I get a Direct Loan?**

- o 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.

- **How to Choose and Evaluate Lenders**

- o You do not need to choose a lender under the Direct Stafford Loan Program, the federal government—through the U.S. Department of Education—is your lender.

- **How much can I borrow?**

- o It depends on your year in school and whether you have a subsidized or unsubsidized Direct Stafford Loan. A subsidized loan is awarded on the basis of financial need. If you're eligible for a subsidized loan, the government will pay (subsidize) the interest on your loan while you're in school, for the first six months after you leave school, or longer if you qualify to have your payments deferred. Depending on your financial need, you may borrow subsidized money for an amount up to the annual loan borrowing limit for your level of study (see below).
- o You might be able to borrow loan funds beyond your subsidized loan amount even if you don't have demonstrated financial need. In that case, you'd receive an unsubsidized loan. Your school will subtract the total amount of your other financial aid from your cost of attendance to determine whether you're eligible for an unsubsidized loan. Unlike a subsidized loan, you are responsible for the interest from the time the unsubsidized loan is disbursed until it's paid in full. You can choose to pay the interest or allow it to accrue (accumulate) and be capitalized (that is, added to the principal amount of your loan). Capitalizing the interest will increase the amount you have to repay.
- o You can receive a subsidized loan and an unsubsidized loan for the same enrollment period as long as you don't exceed the annual loan limits.

Class Standing	Maximum Subsidized	Additional Unsubsidized Loan Eligibility
Freshman	\$3,500	\$2,000
Sophomore	\$4,500	\$2,000
Junior	\$5,500	\$2,000
Senior	\$5,500	\$2,000

The lifetime loan limit for a dependent undergraduate is \$31,000; of which \$23,000 can be subsidized.

· How will I get the loan money?

o You'll be paid through your school in at least two installments. No installment may exceed one-half of your loan amount. Your loan money must first be applied to pay for tuition and fees, room and board, and other school charges. If loan money remains, you'll receive the funds by check or in cash, unless you give the school written authorization to hold the funds until later in the enrollment period.

· What's the interest rate?

o The College Cost Reduction and Access Act of 2007 reduced the interest rates on subsidized Stafford loans for undergraduate students starting July 1, 2008. These reductions are available only to undergraduate students, not graduate students, and only for subsidized Stafford loans, not unsubsidized Stafford loans. The interest rates are illustrated in the following table.

Phased-in Cuts in Interest Rates on Subsidized Stafford Loans for Undergraduate Students

Year	Interest Rate Subsidized Stafford Loans (Undergraduate Students)
2007-08	6.8%
2008-09	6.0%
2009-10	5.6%
2010-11	4.5%
2011-12	3.4%
2012-13	6.8%

Year	Interest Rate Other Stafford Loans (Graduate or Unsubsidized)
2007-08	6.8%
2008-09	6.8%
2009-10	6.8%
2010-11	6.8%
2011-12	6.8%
2012-13	6.8%

- **Other than interest, is there a charge for this loan?**
 - o For Stafford Loans that are first disbursed between July 1, 2010 and June 30, 2011, there is a fee of 1 percent of the loan, deducted proportionately from each loan disbursement. For a Direct Stafford Loan, the entire fee goes to the government to help reduce the cost of the loans. Also, if you don't make your loan payments when scheduled, you may be charged collection costs and late fees.

- **When do I pay back my Stafford Loans?**
 - o After you graduate, leave school, or drop below half-time enrollment, you will have a six-month "grace period" before you begin repayment. During this period, you'll receive repayment information, and you'll be notified of your first payment due date. You're responsible for beginning repayment on time, even if you don't receive this information. Payments are usually due monthly.
 - o During the grace period on a subsidized loan, you don't have to pay any principal, and you won't be charged interest. During the grace period on an unsubsidized loan, you don't have to pay any principal, but you will be charged interest. You can either pay the interest or it will be capitalized (added to your principal loan balance, thus increasing the amount you'll repay).

- **How do I pay back my loans?**
 - o You'll repay your FFEL Stafford Loan to a private lender or loan servicer. You'll repay your Direct Loan to the U.S. Department of Education's Direct Loan Servicing Center. Both the Direct Loan and FFEL programs offer four repayment plans you can choose from, but the terms differ slightly. You will receive more detailed information on your repayment options during entrance and exit counseling sessions your school will provide.

- **Can my Stafford Loan ever be discharged (canceled)?**
 - o Yes, but only under a few circumstances. Your loan can't be canceled because you didn't complete the program of study at the school (unless you couldn't complete the program for a valid reason—the school closed, for example), or because you didn't like the school or the program of study, or you didn't obtain employment after completing the program of study.

NON NEED – BASED LOANS

In general loans are available up to the total yearly cost of college minus any need based aid received. These loans must be reapplied for every year. Loans in parents' names may require immediate repayment of principal and interest or may be deferred until after the student drops below ½ time in college or graduates from the undergraduate program. Non-need based loans in the student's name enable the principal to be deferred until 6 months after they leave school while the interest is payable immediately. Also, Non-need based loans require a credit check and, if necessary, a co-signer.

Direct 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 William D. Ford Federal Direct Loan (Direct Loan) Program. Your parents must have an acceptable credit history to qualify for the loan.

- **How do my parents get a loan?**

- o For a Direct PLUS Loan, your parents must complete a Direct PLUS Loan Application and Master Promissory Note, contained in a single form that you get from your school's financial aid office. You can also apply online at www.studentloans.gov.

- **How much can my parents borrow?**

- o The yearly limit on a PLUS Loan is equal to your cost of attendance minus any other financial aid you receive.

- **Who gets my parents' loan money?**

- o The U.S. Department of Education (for a Direct PLUS Loan) will send the loan funds to your school. Your school might require your parents to endorse a disbursement check and send it back to the school. In most cases, the loan will be disbursed in at least two installments, and no installment will be greater than half the loan amount. The funds will first be applied to your tuition, fees, room and board, and other school charges. If any loan funds remain, your parents will receive the amount as a check or in cash, unless they authorize the amount to be released to you or to be put into your school account. Any remaining loan funds must be used for your education expenses.

- **What's the interest rate?**

- o PLUS Loans have a fixed interest rate of 7.9% Interest is charged on a PLUS Loan from the date of the first disbursement until the loan is paid in full.

- **Other than interest, is there a charge to get a PLUS Loan?**
 - o Your parents will pay a fee of 4 % of the loan, deducted proportionately each time a loan disbursement is made. The fee goes to the government to help reduce the cost of the loans. Also, your parents may be charged collection costs and late fees if they don't make their loan payments when scheduled.

- **When do my parents begin repaying the loan?**
 - o Generally, the first payment is due within 60 days after the loan is fully disbursed, but parents now have the option to defer payment until after the student graduates. Interest begins to accumulate at the time the first disbursement is made.

- **How do my parents pay back these loans?**
 - o They'll repay their Direct PLUS Loan to the U.S. Department of Education's Direct Loan Servicing Center. There are three options for repayment- standard, extended and graduated to meet individual repayment needs.

- **Can a PLUS Loan be discharged (canceled)?**
 - o Yes, under certain conditions. A discharge (cancellation) releases your parents from all obligation to repay the loan.
 - o Your parents' PLUS Loan can't be canceled for these reasons: You didn't complete your program of study at your school (unless you couldn't complete the program for a valid reason—because the school closed, for example), you didn't like the school or the program of study, or you didn't obtain employment after completing the program of study.