

MICHIGAN STUDENTS FIRST

FREQUENTLY ASKED QUESTIONS

1. What is the Michigan Students First program?

Michigan Students First is a borrower benefit program offered by the Michigan Higher Education Student Loan Authority (MHESLA) for Federal Stafford (subsidized and unsubsidized) and PLUS Loans first disbursed on or after January 1, 2003. Federal Stafford and PLUS Loans are educational loans included in the Federal Family Education Loan Program (FFELP). Eligible Federal PLUS Loans include loans to both parents and graduate or professional students. Michigan Students First assists students and parents receiving Federal Stafford and PLUS Loans by reducing the cost of borrowing.

2. What is MHESLA?

MHESLA is a non-profit state agency that participates as a lender and secondary market in the FFELP. As a lender, MHESLA offers Federal Stafford and PLUS Loans for attendance at FFELP eligible schools. MHESLA's secondary market purchases FFELP loans made by financial institutions. This assists financial institutions by replenishing their funds for future student loans.

3. Can I attend any school and still participate in Michigan Students First?

You can attend any school that participates in FFELP. Contact the financial aid office of your school to determine if they participate.

4. Can anyone participate in Michigan Students First?

Michigan Students First is available to all Michigan residents and to out-of-state students that are attending Michigan schools. Michigan residents are eligible to participate regardless of whether the school of attendance is in Michigan or elsewhere. Schools must be FFELP participants.

5. How can I participate in the Michigan Students First program?

You must receive your Federal Stafford or PLUS Loan from MHESLA or a lender that has agreed to sell this FFELP loan to MHESLA's State Secondary Market, and meet the school and borrower criteria already mentioned. Eligible loans are automatically entered into the program when acquired or originated by MHESLA, and a notification introducing the Michigan Students First program is sent to the borrower. Please contact our office at 517-373-3662 or toll-free at 888-643-7521 to request a list of the lenders that participate with MHESLA's State Secondary Market. You can also send your request by e-mail to MHESLA@michigan.gov.

6. I already have multiple loans on a FFELP Master Promissory Note. Do I need a separate Master Promissory Note for my FFELP loans that qualify for Michigan Students First?

No. The promissory note has no bearing on the Michigan Students First program. Federal Stafford or PLUS Loans must individually meet the Michigan Students First criteria to be eligible and are tracked individually by the servicing system.

7. What are the “borrower benefits”?

Michigan Students First borrower benefits:

(1) The loan origination fee will either be paid on your behalf by your lender or you will be reimbursed the amount of the origination fee through a credit to your loan, (2) Federal PLUS Loan borrowers receive a reduced 7.9% interest rate, and (3) after 36 months of on-time payments, the interest rate on your loan will be reduced to zero percent.

8. What is the loan origination fee?

The loan origination fee is a federal fee on Federal Stafford and PLUS Loans the lender collects on behalf of the U.S. Department of Education that is deducted proportionally from each loan disbursement. For example, if you had a \$10,000 loan with a 3% loan origination fee, you would receive disbursements totaling \$9,700 and \$300 would be forwarded to the U.S. Department of Education.

Federal Stafford Loans - The federal loan origination fee was 3.0% through June 30, 2006. It decreased to 2.0% on July 1, 2006. It will decrease again to 1.5% on July 1, 2007, 1.0% on July 1, 2008, and 0.5% on July 1, 2009. The federal loan origination fee will be eliminated as of July 1, 2010.

Federal PLUS Loans - The federal loan origination fee is 3.0%.

9. How do I receive the loan origination fee benefit?

The loan origination fee benefit will either be paid on your behalf by your lender or you will be reimbursed the amount of the origination fee you paid through a credit to your loan.

When the lender pays the loan origination fee on your behalf, your loan disbursements will equal the total amount of your loan. For a \$10,000 loan, you would receive disbursements totaling \$10,000.

When the loan origination fee benefit is provided as a reimbursement, your loan disbursements equal the amount of your loan minus the amount of the loan origination fee and, after your loan is fully disbursed, it is credited for the amount of the loan origination fee you paid. For a \$10,000 loan with a 3% loan origination fee, you would receive disbursements totaling \$9,700 and \$300 (the amount of the loan origination fee) would be credited to your loan after it was fully disbursed.

10. How do I receive the zero percent interest rate?

When the loan enters repayment, you must make the first 36 months of payments on time. After the 36th month of on-time payments, the interest rate on your loan will automatically be reduced to zero percent. To maintain the zero percent, you must continue to make your loan payments on time.

Periods of deferment or forbearance do not count toward the 36 months of on-time payments, but may be used, if you are eligible, to keep the loan current.

11. Can I request a different repayment schedule?

Yes. You have the choice of a standard or graduated repayment schedule, and if you qualify, an income-sensitive or extended repayment schedule. The repayment schedule does not affect your participation in the Michigan Students First program.

12. Can I qualify faster for the zero percent interest by making more than one payment per month?

No. The zero percent interest is not available until you have made on-time payments for 36 months. This borrower benefit is based on the number of months that on-time payments have been made--not on the number of payments that were made. Making more than one payment per month will not allow you to receive the zero percent interest sooner. However, it will reduce the principal amount of your loan sooner and, therefore, reduce the total amount of interest you will pay.

13. If I make payments while in school, during the grace period, or during a period of forbearance or deferment, will the payments count toward the 36 months of on-time payments?

No. Only payments received after your loan has entered repayment and while it is in an active repayment status are counted toward the 36 months of on-time payments. Stafford loans do not enter repayment until the in-school and grace periods have passed. PLUS loans enter repayment immediately after being fully disbursed, there is no grace period. During periods of deferment and forbearance, regular monthly payments are not required.

14. What happens if a payment is not made on time?

During the first 36 months of on-time payments

If your payment is received late, the loan will no longer qualify for the Michigan Students First program. However, if you receive a deferment and/or forbearance that fully covers the delinquent period, the loan will again qualify for Michigan Students First.

After the interest rate is reduced to zero percent

The loan will no longer be eligible for the reduced interest rate. The interest rate will be raised to the current statutory rate, and interest will begin to accrue on the outstanding principal of the loan. If a loan becomes delinquent in payments after the interest rate is reduced to zero percent, there is no way to reinstate eligibility for the Michigan Students First program.

15. If my loan becomes delinquent and the interest rate is raised from zero percent to the current statutory rate, when does interest begin to be charged (accrue)?

Interest begins to accrue as of the delinquent payment due date, and will continue to accrue from that date forward. The savings you have already received while the interest rate was zero, is yours to keep.

16. Can I consolidate my Michigan Students First loans?

Yes, however, Federal Consolidation Loans do not qualify for MHESLA's Michigan Students First borrower benefit program. Therefore, borrowers who include their Federal Stafford and/or PLUS Loans that qualify for Michigan Students First in a Federal Consolidation Loan will lose the zero percent interest rate benefit. In addition, the statutory interest rate, and not the zero percent interest rate, will be used to calculate the consolidation loan interest rate.