

## **MICHIGAN STUDENTS FIRST FREQUENTLY ASKED QUESTIONS**

### **1. What is the Michigan Students First program?**

Michigan Students First is a borrower benefit program. **Effective June 30, 2010, if not already received, this borrower benefit is no longer being offered.** Further details of the program are provided below.

### **2. What is MHESLA?**

MHESLA is a state agency which provided Federal Family Education Loan Program (FFELP) loans for Michigan college and university students. MHESLA's State Secondary Market also purchased FFELP student loans made by other financial institutions to broaden the availability of FFELP student loans throughout Michigan.

### **3. How would I have participated in the Michigan Students First program?**

You would have received your Federal Stafford or PLUS Loan from MHESLA or a lender that sold its FFELP loans to MHESLA's State Secondary Market, and met the school and borrower criteria. Eligible loans were first disbursed on or after January 1, 2003 and purchased by MHESLA before April 17, 2008. The loans were automatically entered into the program when acquired or originated by MHESLA, and a notification introducing the Michigan Students First program was sent to the borrower.

### **4. What are the "borrower benefits"?**

Michigan Students First borrower benefits: (1) the loan origination fee was either paid on your behalf by your lender or you were reimbursed the amount of the origination fee through a credit to your loan, (2) Federal PLUS Loan borrowers received a reduced 7.9% interest rate, and (3) after 36 monthly on-time payments received prior to June 30, 2010, the interest rate on your loan would have been reduced to zero percent.

### **5. What was the loan origination fee?**

The loan origination fee is a federal fee on Federal Stafford and PLUS Loans the lender collected on behalf of the U.S. Department of Education that was deducted proportionally from each loan disbursement. For example, if you had a \$10,000 loan with a 3% loan origination fee, you would have received disbursements totaling \$9,700 and \$300 would have been 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 decreased 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 was eliminated as of July 1, 2010.

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

**6. How would I have received the zero percent interest rate?**

When the loan entered repayment, through June 30, 2010, the first 36 monthly payments must have been received on time. Then the interest rate would have been automatically reduced to zero percent. To keep the zero percent, all remaining monthly payments must be received on time.

**7. If I made more than one payment per month or a larger payment than required, could I have qualified for the zero percent interest rate sooner?**

No. The zero percent interest rate was based on the first 36 monthly payments being received on time. Multiple payments within the month or payment exceeding the monthly amount due only counted as one payment for the borrower benefit counter.

**8. If I made payments while my status was in-school, during the grace period, or while on a forbearance or deferment, were these payments included in the 36 monthly on-time payment counter?**

No. Only payments received while your loan was in an active repayment status were included in this counter. An active repayment status means a monthly payment must be received on the loan. Because no payment must be received during an in-school, grace, forbearance, or deferment status, the repayment status is not active.

**9. If my loan payment is not received on time and the reduced interest rate benefit is removed, what happens?**

The interest rate is returned to the current statutory rate and interest will begin to accrue on the outstanding principal of the loan as of the date the delinquent payment was due. The current statutory rate, set by the federal government, will continue to accrue from that date forward. **You do not lose the borrower benefit savings the loan was eligible for and you have already received from MHESLA.**

**10. 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 have qualified 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.

*MHESLA reserves the right to revise or discontinue offering borrower benefit options at any time.*