

Navigating Educational Loans

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Student Loans

► Some Facts:

- The non-profit American Student Assistance reports the following (<http://www.asa.org/policy/resources/stats>)
 - Yearly, close to 20 Million individuals attend college
 - Of that, 12 Million borrow annually to cover costs
 - 60% of those that attend college
 - Close to 37 Million borrowers with outstanding debt
 - 29 and under: 14 Million
 - 30-39: 10.6 Million
 - 40-49: 5.7 Million
 - 50-59: 4.6 Million
 - 60 and over: 2.2 Million
- As of the 1st Quarter of 2012

Various Kinds of Student Loans

- ▶ Federal Direct Loans
 - Subsidized & Unsubsidized
- ▶ Federal Perkins Loan
- ▶ Federal Parent PLUS Loan
 - Undergraduate & Graduate
- ▶ Alternative/Private Educational Loans
- ▶ Institutional Loans
- ▶ Other Outside Loans

Federal Direct Loans

► One Loan – Two Options

- Subsidized (subsidy) – Interest that the student is responsible for begins accruing once the loan is placed into repayment
 - Repayment begins 6 months after the date of the student's last class – regardless of completion of program
- Unsubsidized – Interest that the student is responsible for begins accruing once the loan is released to their school

► Eligibility for Direct Subsidized Loan

► Interest Rates

Federal Direct Loan - Amounts

- ▶ Annual Loan Limits – Dependent Students:
 - Freshman: \$5,500 (\$3,500 maximum subsidy)
 - Sophomore: \$6,500 (\$4,500 maximum subsidy)
 - Junior/Senior: \$7,500 (\$5,500 maximum subsidy)
- ▶ Annual Loan Limits – Independent Students:
 - Freshman: \$9,500 (\$3,500 maximum subsidy)
 - Sophomore: \$10,500 (\$4,500 maximum subsidy)
 - Junior/Senior: \$12,500 (\$5,500 maximum subsidy)
- ▶ Graduate Level Students: \$20,500 (no subsidy)
- ▶ Overall Loan Limits/Aggregates

Federal Direct Loan Requirements

► Enrollment

- Degree Seeking
- At least half time enrollment
 - Typically 6 credits per term

► Entrance Counseling

- Electronic Session with Quiz

► Master Promissory Note

Direct Loans

William D. Ford Federal Direct Loan Program

Master Promissory Note William D. Ford Federal Direct Loan Program

Warning: Any person who knowingly makes a false statement or misrepresentation on this form will be subject to penalties which may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 32-45-007
Form Approved
Exp. Date 10/31/2005

Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan

SECTION A: BORROWER INFORMATION

1. Driver's License State and No.

3. E-mail Address (optional)

4. Name and Address

READ THE INSTRUCTIONS BEFORE COMPLETING THIS SECTION

2. Social Security No.

5. Date of Birth

6. Area Code/Telephone No.

7. References: You must list two persons with different U.S. addresses who have known you for at least three years. The first reference should be a parent or legal guardian.

Name

1.

2.

Permanent Street Address

City, State, Zip Code

Area Code/Telephone No.

Relationship to Borrower

SECTION B: SCHOOL INFORMATION

8. School Name and Address

9. School Code/Branch

10. Identification No.

SECTION C: BORROWER REQUEST, CERTIFICATIONS, AUTHORIZATIONS, AND UNDERSTANDING

READ CAREFULLY BEFORE SIGNING BELOW

11. This is a Master Promissory Note (MPN) for one or more Federal Direct Stafford/Ford (Direct Subsidized) Loans and/or Federal Direct Unsubsidized Stafford/Ford (Direct Unsubsidized) Loans. I request a total amount of Direct Subsidized Loans and/or Direct Unsubsidized Loans under this MPN not to exceed the allowable maximums under the Act ("the Act" is defined in Section E under Governing Law). My school will notify me of the loan type and loan amount that I am eligible to receive. I may cancel a loan or request a lower amount by contacting my school. Additional information about my right to cancel a loan or request a lower amount is included in the accompanying document called "Borrower's Rights and Responsibilities Statement" and in the disclosure statements that will be provided to me.

12. Under penalty of perjury, I certify that:

- The information I have provided on this MPN and as updated by me from time to time is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- I will use the proceeds of loans made under this MPN for authorized educational expenses that I incur and I will immediately repay any loan proceeds that cannot be attributed to educational expenses for attendance on at least a half-time basis at the school that certified my loan eligibility.
- I do not owe an overpayment on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership Grant (formerly State Student Incentive Grant) or, if I owe an overpayment, I have made satisfactory repayment arrangements.
- I am not now in default on any loan received under the Federal Perkins Loan Program (including National Direct Student Loans), the William D. Ford Federal Direct Loan (Direct Loan) Program, or the Federal Family Education Loan (FFEL) Program or, if I am in default on a loan, I have made satisfactory repayment arrangements.

13. For each Direct Subsidized Loan and Direct Unsubsidized Loan I receive under this MPN, I make the following authorizations:

- I authorize my school to certify my eligibility for the loan.
- I authorize my school to credit my loan proceeds to my student account at the school.
- I authorize my school to pay to the U.S. Department of Education (ED) any refund that may be due up to the full amount of the loan.
- I authorize ED to investigate my credit record and report information about my loan status to persons and organizations permitted by law to receive that information.
- Unless I notify ED differently, I authorize ED to defer repayment of principal on my loan while I am enrolled at least half-time at an eligible school.
- I authorize my school and ED to release information about my loan to the references on the loan and to members of my immediate family, unless I submit written directions otherwise.
- I authorize my schools, lenders, guarantors, ED, and their agents to release information about my loan to each other.

14. I will be given the opportunity to pay the interest that ED charges during grace, in-school, deferment, forbearance, and other periods as provided under the Act. Unless I pay the interest, I understand that ED may add unpaid interest that is charged on each loan made under this MPN to the principal balance of that loan (this is called "capitalization") at the end of the grace, deferment, forbearance, or other period. Capitalization will increase the principal balance on my loan and the total amount of interest I must pay.

SECTION D: PROMISE TO PAY

15. I promise to pay to ED all loan amounts disbursed under the terms of this MPN, plus interest and other charges and fees that may become due as provided in this MPN. I understand that more than one loan may be made to me under this MPN. I understand that by accepting any disbursement issued at any time under this MPN, I agree to repay the loan associated with that disbursement. I understand that, within certain timeframes, I may cancel or reduce the amount of a loan by refusing to accept or by returning all or a portion of any disbursement that is issued. Unless I make interest payments, interest that ED charges on my loans during grace, in-school, deferment, forbearance, and other periods will be added to the principal balance of the loan as provided under the Act. If I do not make a payment on a loan made under this MPN when it is due, I will also pay reasonable collection costs, including but not limited to attorney's fees, court costs, and other fees. I will not sign this MPN before reading the entire MPN, even if I am told not to read it, or told that I am not required to read it. I am entitled to an exact copy of this MPN and the Borrower's Rights and Responsibilities Statement. My signature certifies that I have read, understand, and agree to the terms and conditions of this MPN, including the Borrower Request, Certifications, Authorizations, and Understanding in Section C, the Notice About Subsequent Loans Made Under this MPN in Section E, and the terms and conditions described in Section E of this MPN and in the accompanying Borrower's Rights and Responsibilities Statement.

UNDERSTAND THAT I MAY RECEIVE ONE OR MORE LOANS UNDER THIS MPN, AND THAT I MUST REPAY ALL LOANS THAT I RECEIVE UNDER THIS MPN.

16. Borrower's Signature

(Electronic Signature)

17. Today's Date (Month/Day/Year)

Federal Perkins Loans

► Eligibility

- Aid eligibility as determined by student's FAFSA
 - Exceptional Financial Need
- School Participation
- At least half-time enrollment
 - Typically 6 credits per term

► Awards

- Amount of Institutional Funding
- Maximum Award Amounts (\$5,500 – UG; \$8,000 – GR)
 - Common Award Amounts

Federal Perkins Loans (continued)

- ▶ Overall Loan Amounts/Aggregates (\$27.5-UG; \$60K-GR)
- ▶ Interest Rate
- ▶ Repayment
- ▶ Disclosure Statement/Master Promissory Note
- ▶ Loan Forgiveness Options
 - Teacher service at low-income schools and under certain other circumstances specified in the law (*HEA*)

FEDERAL PERKINS LOAN MASTER PROMISSORY NOTE

OSM No. 18454074 Form Approved Expiration Date 09/30/2015

Section A: Borrower Section

1. Name (last, first, middle initial) and Permanent Address (street, city, state, zip code)	2. Social Security Number
	3. Date of Birth (mm/dd/yyyy)
	4. Home Area Code/Telephone Number
	5. Driver's License Number (List state abbreviation first)

Section B: School Section

6. School Name & Address (street, city, state, zip code)	7. Annual Interest Rate 5%
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[Any bracketed clause or paragraph may be included at option of institution]

Terms and Conditions: (Note: Additional Terms and Conditions follow on subsequent pages)

APPLICABLE LAW - The terms of this Federal Perkins Loan Master Promissory Note (hereinafter called the Note) and any disbursements made under this Note shall be interpreted in accordance with Part E of Title IV of the Higher Education Act of 1993, as amended (hereinafter called the Act), as well as Federal regulations issued under the Act. All loans advanced under this Note are subject to the Act and Federal regulations issued under the Act.

REPAYMENT - I am obligated to repay the principal and the interest that accrues on my loan(s) to the above-named institution (hereinafter called the School) over a period beginning 9 months (or sooner if I am a *Leave-Then-Half-Time* Borrower) after the date I cease to be at least a half-time student at an institution of higher education or a comparable School outside the United States approved by the United States Department of Education (hereinafter called the Department) and ending 10 years later, unless I request in writing that my repayment period be longer. I understand that the School will report the amount of my installment payments, along with the amount of this loan to at least one national credit bureau. Interest on this loan shall accrue from the beginning of the repayment period. My repayment period may be shorter than 10 years if I am required by my School to make minimum monthly payments. My repayment period may be extended during periods of deferment, hardship, or forbearance and I may make graduated installments in accordance with a schedule approved by the Department. I will make my installment payments in equal monthly, bi-monthly, or quarterly installments as determined by the School. The School may round my installment payment to the next highest multiple of \$5. I will make a minimum monthly repayment of \$40 (or \$30 if I have outstanding Federal Perkins Loans made before October 1, 1992 that included the \$30 minimum payment option or outstanding National Direct Student Loans) in accordance with the Minimum Monthly Payment Section of the Terms and Conditions contained on the reverse side of this document.

LATE CHARGE - The School may impose late charges if I do not make a scheduled payment when due or if I fail to submit to the School on or before the due date of the payment a properly documented request for any of the forbearance, deferment, or cancellation benefits as described below. No late charge may exceed 20 percent of my monthly, bi-monthly, or quarterly payment. The School may add the late charges to principal the day after the scheduled payment was due or include it with the next scheduled payment after I have received notice of the charge, and such notice is sent before the next installment is due.

FORBEARANCE, DEFERMENT, OR CANCELLATION - I may apply for a forbearance, deferment, or cancellation on my loan. During an approved forbearance period, payments of principal and interest or principal only may be postponed or reduced. Interest continues to accrue while my loan is in forbearance. During an approved deferment period, I am not required to make scheduled installment payments on my loan. I am not liable for any interest that might otherwise accrue while my loan is in deferment. If I meet the eligibility requirements for a cancellation of my loan, the institution may cancel up to 100 percent of the outstanding principal loan amount. Information on eligibility and application requirements for forbearance, deferment, and cancellation is provided on page 2 through 4 of this Note. I am responsible for submitting the appropriate request on time, and I may lose my benefits if I fail to file my request on time.

DEFAULT - The School may, at its option, declare my loan to be in default if (1) I fail to make a scheduled payment when due; (2) I fail to submit to the School on or before the due date of a scheduled payment documentation that I qualify for a forbearance, deferment, or cancellation; or (3) I fail to comply with the terms and conditions of the Note or written repayment agreement. The School may assign a defaulted loan to the Department for collection. I will be ineligible for any further federal student financial assistance authorized under the Act until I make arrangements that are satisfactory to the School or the Department to repay my loan. The School or the Department shall disclose to credit bureaus organizations that I have defaulted and all other relevant loan information. I will lose my right to defer payments and my right to forbearance if I default on my loan. The School or the Department may accelerate my defaulted loan. Acceleration means that the School or the Department demands immediate payment of the entire unpaid balance of the loan, including principal, interest, late charges, and collection costs. I will lose my right to receive cancellation benefits for service that is performed after the date the School or the Department accelerated the loan.

CHANGE OF STATUS - I will inform the School of any change in my name, address, telephone number, Social Security Number, or driver's license number.

AUTHORIZATION - I authorize the School, the Department, and their respective agent and contractor to contact me regarding my loan or loan(s) including repayment of my loan(s) at the current or any future number that I provide for my cellular phone or other wireless device using automated telephone dialing equipment or artificial or pre-recorded voice or text messages.

PRO MISE TO PAY - I promise to pay the School or a subsequent holder of this Note, all sums disbursed under the terms of this Note, plus interest and other fees which may become due as provided in this Note. I understand that my loan is loan(s) may be made to me under this Note. I understand that by accepting any disbursement issued at any time under this Note, I agree to repay the loan. I understand that each loan is separately enforceable based on a true and exact copy of this Note. I understand that I may cancel or reduce the amount of any loan by not accepting or by returning all or a portion of any disbursement that is issued. If I do not make any payment on any loan under this Note when it is due, I promise to pay all reasonable collection costs, including attorney fees, court costs, and other fees. I will not sign this Note before making the entire Note, even if I am told that I am not required to read it. I am entitled to an exact copy of this Note. This loan has been made to me without security or endorsement. My signature certifies I have read, understand, and agree to the terms and conditions of this Note.

I UNDERSTAND THAT I MAY RECEIVE ONE OR MORE LOANS UNDER THE MASTER PROMISSORY NOTE AND THAT I MUST REPAY SUCH LOANS.

Borrower's Signature

Date

Federal PLUS Loans

- ▶ Loan considers Student's Dependency Status
- ▶ Undergraduate Students
 - Application done by parent of student
- ▶ Graduate Students
 - Application done by student

Federal PLUS Loans (continued)

▶ Eligibility

- Creditworthy Loan – eligibility determined at time of application submission
 - ▶ Co-Signer/Endorser Option
 - ▶ Loan Denial Options
- Student needs to be enrolled at least half-time (typically 6 credits)

▶ Awards

- Eligible Amount = Costs – Other Financial Aid

▶ Repayment

▶ Master Promissory Note

▶ Borrower Notes

Repayment Options – Direct/PLUS Loans

► 6 Options:

- Standard
- Graduated
- Extended
- Income-Sensitive
- Income-Contingent
- Income-Based

► Direct Loans – Exit Counseling

Alternative/Private Loans

- ▶ Loans available through Financial Institutions
 - Banks, Credit Unions, etc.
- ▶ Eligibility
 - Creditworthy Loan – eligibility determined at time of application submission
 - ▶ Traditional age students typically will need a creditworthy co-signer
 - Enrollment Requirements – Lender will determine
- ▶ Awards
 - Eligible Amount = Costs – Other Financial Aid
- ▶ Interest Rates
 - Variable (Prime/Libor)
- ▶ Repayment

Institutional & Outside Loans

- ▶ Loans available through your individual school or outside non-profit organization
 - Availability dependent on awarding entity
- ▶ Eligibility
- ▶ Award Amounts
- ▶ Interest Rates
- ▶ Repayment

What students should consider...

- ▶ What are my education costs for this year?
 - What specific cost do I need financial assistance?
 - Consider borrowing only what is needed for these costs
 - ▶ Rather than all offered to you
 - ▶ Specific Costs-Grant/Scholarship Aid = Balance?
- ▶ The Project on Student Debt reports that the average amount of student loan debt for the Class of 2011 was \$26,600
 - Equates to a monthly payment of \$306 over 10 years
 - ▶ Considers Standard Repayment Plan Option

Contact Information

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