

Educational Loans **A Family's Most Important Resource**

Welcome to the "Educational Loans" section of our Website, and join us for an overview of one topic that most college students have to consider while financing their education. An educational loan is one of the most valuable resources for students and parents, and it has been since it was first introduced into federal legislation to the Congress of the United States in the late 1950's, in response to the launch of "Sputnick."

Educational loans were developed specifically for college students and parents and are repayable at competitively low interest rates. They are simple to apply for (via the FAFSA), are readily available, and generally offer a variety of repayment options. The majority of loans that are based on financial need, the subsidized ones, require no repayment of principal or payment of interest while the student is in school, as long as he/she is attending at least half-time (generally six credits per term). Unsubsidized loans require quarterly interest payments (not principal) while the student is in attendance. The principal on both types of loans becomes repayable after a grace period, generally after the student graduates or enrolls for less than six credits per term.

For college students and parents, Long Island University participates in the William D. Ford Federal Direct Student Loan Program. It also offers loans through the Federal Perkins Student Loan and for students in the PROF career (pharmacy majors), the Health Professions Student Loan Program. The federal government guarantees all of these loans, and most are based on demonstrated financial need.

To help our students and parents become informed borrowers, we are offering the following information on the educational programs. We have provided information that we hope will explain loan borrowing from the application process through the repayment process, and hope that we can help families make the best loan choices for their student. We also provide this information in our publication "Financial Aid Guide" which is sent to all students with their award notices each year.

Overview of Educational Loans:

There are several educational loans available at the Brooklyn Campus and application for all of them is made by completing the FAFSA (Free Application for Federal Student Aid). Available through the federal government's website at www.fafsa.ed.gov, a FAFSA must be completed each year for which a loan is requested. The following is a brief description of the loan programs:

Federal Direct Subsidized Loans:

Based on financial need, this type of loan is repayable six months (grace period) after graduation or enrollment of less than six credits per term. No payment of the principal or interest is required until the end of the six-month grace period. The Office of Student Financial Services determines student eligibility based on financial need as demonstrated from the FAFSA, on academic status (freshman, sophomore, graduate, etc.), and on cumulative loan history.

Federal Direct Unsubsidized Loans:

Unsubsidized loans are very similar to subsidized loans but they require that the student pay interest while in school. Quarterly interest payments are required but the principal amount is deferred until the six-month grace period is over. Students have the option to capitalize these interest payments but we suggest that they become very familiar with all aspects of capitalization before deferring the quarterly interest payment. The Office of Student Financial Services determines student eligibility based on academic status, cumulative loan history and information from the FAFSA.

Federal Direct Parent PLUS and Graduate PLUS Loans:

The parents of dependent undergraduate students may apply for Parent PLUS Loans to help pay for their children's education. Graduate students may also apply for Graduate PLUS Loans to help with their cost of education. For loans borrowed prior to July 1, 2008, PLUS loans become

repayable 60 days after disbursement. For first-time PLUS Loans borrowed after July 1, 2008, parents may defer repayment of the PLUS Loan until six months after their student has graduated or registers for less than six credits. This loans will be capitalized (interest added to principal) Amounts borrowed are related to the student's cost of education as determined by the Office of Student Financial Services, minus other financial aid received. In order to qualify for a PLUS Loan, parents and graduate students may not have an adverse credit history or be in default of any educational loan. Applicants are given the option of providing an endorser, if required.

Federal Perkins Loans:

A low interest (5%) federal loan for full-time undergraduate and graduate students exhibiting financial need, this loan becomes repayable nine months after graduation or termination of at least half-time status. No interest is charged until that time.

Health Professions Student Loans (HPL):

This federal loan for full-time Pharmacy students is repayable at 5% interest, one year after graduation or immediately upon termination of Pharmacy studies (whether undergraduate or graduate). No interest is charged until that time. Students must show proof of parental income in order to qualify for this type of loan funding.

Advantages of Borrowing Federal Direct Student Loans:

Long Island University administers loans through the Federal Direct Student Loan Program since it provides several advantages for our student and/or parent borrowers including:

- *The process is simpler:* Federal Direct Student Loan borrowers complete one application, the Free Application for Federal Student Aid (FAFSA). There is no separate loan application. However, they must complete an Entrance Counseling session and a Master Promissory Note (MPN).
- *Students do not borrow from outside lenders:* The federal government provides funding to the University for all eligible students and raises the loan funds through its regular Treasury bill auctions. Federal Direct Student Loans are loans made with federal capital and owned by the federal government. Loan repayment is made directly to the federal government's fund.
- *Federal Direct Student Loans are never sold:* Unlike loans borrowed from banks and guarantee agencies, loans are never sold to outside bidders. Since borrowing takes place directly with the federal government, borrowers make loan payments to the Department of Education for the life of their loans. It's "One-Stop Shopping" from loan application to repayment.
- *Loan proceeds are disbursed directly to the student borrower's account at the University:* Since the entire loan process is electronic, delivery to the borrower is quick and efficient.

Interest Rates, Loan Fees, and Capitalization:

All of the educational loan programs have interest rates that are calculated on the principal amount borrowed. Interest rates differ from one loan program to another. Also, there are fees attached to borrowing loans, much like the fees charged when applying for a mortgage, etc. The following is provided to give general information regarding interest rates, loan fees and capitalization.

The interest rates for the Federal Direct Subsidized and Federal Direct Unsubsidized Student Loans are variable. This means that the interest rate changes from one year to another. The interest rate on the Direct Subsidized and Unsubsidized Loans is variable and is adjusted once a year, on July 1, based on the 91-day U.S Treasury bill plus an add-on percentage. The rate will never exceed 8.25 percent.

The Federal Direct PLUS Loan interest rate is also variable, but cannot exceed 9%. The interest rate is also adjusted July 1st of every year.

Federal Perkins Loans and Health Professions Students Loans are both repayable at a 5% fixed interest rate.

The actual interest rate and loan fee charged on Federal Direct Student Loans will be included in a disclosure statement provided by the federal processor after the first disbursement has been made on the loan.

- The interest on a Direct Subsidized Loan is paid by the federal government while you are enrolled in school at least half time, and during grace and deferment periods.
- If you borrow a Direct Unsubsidized Loan, you are responsible for paying all of the interest that accumulates on the loan even during grace and deferment periods. You don't have to pay the interest right away. But if you postpone paying the interest, it may cost you a significant amount of money over the life of your loan. Why? Because the interest is capitalized. In other words, it is added to your principal balance and you end up paying interest on interest.

Loan fees:

The loan origination fee charged for Direct Subsidized and Unsubsidized Loans is 2.0% of the amount you borrow. The loan fee is subtracted proportionately from each loan disbursement. There is an up-front interest rebate of 1.5% offered to borrowers of Subsidized and Unsubsidized Loans who make their first twelve required monthly payments on time.

The following is an example of the fees that are deductible on Federal Direct Student Loans:

Type of Loan	Gross Amount of Loan	Origination Fee	Net Proceeds of Loan Available to Student
Subsidized	\$4,500	\$22	\$4,478
Unsubsidized	\$5,500	\$28	\$5,472

Capitalization:

The borrower of a Federal Direct Unsubsidized Loan has the choice of paying the interest on an ongoing basis while in school, or having the interest capitalized. Capitalization increases the unpaid principal balance of the loan, and then interest will be charged on the increased principal amount. Once repayment begins, interest is charged on this new principal balance (which includes the interest not paid) – hence, the borrower is paying interest on interest.

Interest costs on a Federal Direct Unsubsidized loan begin accumulating the date the loan proceeds are disbursed, and continue to accumulate until the principle and interest are paid in full.

Loan Limits – By Year and By Cumulative Totals:

The amount students can borrow each year for Federal Direct Subsidized and Federal Direct Unsubsidized Loan Programs depends on whether they are dependent students or independent students, and their grade level.

Annual limits include the amount a student may borrow in the traditional academic year. The following chart provides loan limits:

		<u>Dependent Students</u>		<u>Independent Students</u>	
		<u>Subsidized</u>	<u>Unsubsidized</u>	<u>Subsidized</u>	<u>Unsubsidized</u>
<u>School Year</u>	<u>Credits</u>	<u>Annual Limit</u>	<u>Annual Limit</u>	<u>Annual Limit</u>	<u>Annual Limit</u>
Freshmen	0 - 29	\$3,500	PLUS	\$3,500	\$4,000
Sophomore	30 - 59	\$4,500	PLUS	\$4,500	\$4,000
Junior	60 - 89	\$5,500	PLUS	\$5,500	\$5,000
Senior	90 +	\$5,500	PLUS	\$5,500	\$5,000
Graduate/Professional	N/A	N/A	N/A	\$8,500	\$12,000

Limit on Number of Loans Permitted by Grade Level:

An undergraduate student may not borrow more than two maximum loans for freshman status and two loans for sophomore status.

Aggregate Limits:

Aggregate limits refer to the total amount of loan(s) students may borrow throughout their academic careers. For example, undergraduate aggregate loan limits include all the loans a student borrowed while enrolled as an undergraduate student.

These are the overall limits for all Subsidized and Unsubsidized loans (including any combination of FFELP and Federal Direct Loans):

	<u>Subsidized</u>	<u>Unsubsidized</u>	<u>Total</u>
Undergraduate	\$23,000	\$23,000	\$46,000
Graduate/Professional	\$65,500	\$73,000	*\$138,500

**Note: includes loans for both undergraduate and graduate study.*

Electronic Loan Processing

For the Federal Direct Student Loan Program, all processing is available to students on-line, from the application of the FAFSA, to the disbursement of funds. After receiving notice of loan eligibility from the Office of Student Financial Services, students must do the following to accept and receive their Federal Direct Student Loans:

- 1) Using their federal PIN, the first-time borrower must take an electronic loan "Entrance Interview." Available at www.studentloans.gov, this site provides all the basic loan information that every student should know about before accepting loan proceeds.
- 2) Once the Entrance Interview is completed, the student must go on-line to the federal website www.studentloans.gov and electronically "sign" a master promissory note for the loans.
- 3) Continuing Students who have already electronically signed an electronic master promissory note within the last year, and actually received loan funds within that time, need not sign another note for new loans.
- 4) Parents of dependent undergraduate students and graduate students who wish to borrow from the PLUS Loan Program, can use the federal website at www.studentloans.gov, and must do so using their own federal PIN.

Loan Disbursements:

Federal Direct Student Loans are disbursed at different times, depending on the period of the loan. If a loan is borrowed for only one semester, the loan is disbursed in two payments, over the course of the one term. If the loan is for the academic year or two terms, the loan is disbursed twice – once each term.

Each year, the Office of Student Financial Services publishes the anticipated dates when loans are expected to be disbursed. These dates are determined by federal guidelines and first-time borrowers must wait an additional 30 days beyond the start of the term for disbursement.

Disclosure Statement:

A loan "Disclosure Statement" is a separate document sent by the federal government's loan processor, at the time that the loan is disbursed. A student will receive a Disclosure Statement for each new loan he/she borrows. It informs the student about the types of loans borrowed, the amount, the fees, and other information. The Disclosure Statement will help students keep track of how much they have borrowed, and should be a part of their permanent records.

In addition to the federal government's Disclosure Statement, the student will also receive a disbursement notice from the Bursar's Office once loan proceeds are received on account.

Direct Loans		U.S. Department of Education P.O. Box 9003 Niagara Falls, NY 14302-9003		Disclosure Statement William D. Ford Federal Direct Loan Program	
William D. Ford Federal Direct Loan Program				Direct Subsidized Loan Direct Unsubsidized Loan	
Borrower Information					
1. Name and Address				2. Date of Disclosure Statement 08/27/2002	
011905 STUDENT, JOHN, Q 1 SANTA LANE NORTH POLE, NORTH AMERICA 11111				3. Area Code/Telephone Number (888)888-8888	
School Information					
4. School Name and Address Long Island University - Brooklyn Campus 1 University Plaza Brooklyn, NY 11201-5372				5. School Code/Branch G04779	
Loan Information					
6. Loan Identification Number(s) 111111111-M-03-G04779-101		7. Loan Period(s) 09/05/2002 - 05/14/2003		8. Loan Fee % 3.000%	
9. Information about the loan(s) that your school plans to disburse (pay out) follows. This information detail on the back. The actual disbursement dates and amounts may be different than the dates and amounts below. Your school and the Direct Loan Servicing Center will notify you of the actual disbursement dates and amounts.					
Direct Subsidized Loan	Gross Loan Amount	- Loan Fee Amount	+ Interest Rebate Amount	= Net Loan Amount	
	\$2,625.00	- \$78.00	+ \$40.00	= \$2,587.00	
Your school plans to disburse the Net Loan Amount as follows:					
	Date	Net Disbursement Amount	Date	Net Disbursement Amount	
(Variable Interest Rate)	08/27/2002	\$1,294.00			
	01/12/2003	\$1,293.00			
<div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;">Loan rebate calculated at 1.5%</div>					
<div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;">Loan Amount Minus All Fees (Net)</div>					
Direct Unsubsidized	Gross Loan Amount	- Loan Fee Amount	+ Interest Rebate Amount	= Net Loan Amount	
	\$4,000.00	- \$120.00	+ \$60.00	= \$3,940	
Your school plans to disburse the Net Loan Amount as follows:					
	Date	Net Disbursement Amount	Date	Net Disbursement Amount	
(Variable Interest Rate)	08/27/2002	\$1,970.00			
	01/12/2003	\$1,970.00			
<div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;">Disbursement Dates</div>					

Loan Exit Interviews:

Loan borrowers must complete an electronic Loan Exit Interview immediately upon graduating, or enrolling for less than six credits. This is one of the federal requirements and a student's responsibility connected to borrowing educational loans. The Loan Exit Interview is an electronic session that provides students with a wealth of information on repaying their educational loan obligations, and helps them become familiar with the repayment phase of their borrowing.

Generally, most educational loans become repayable six months after the discontinuation of studies. This six-month period of time is called a "grace period" and it gives the student an opportunity to become familiar with all the options that will be available when he/she begins repaying the loan(s).

The law also requires the collection of certain demographic information to help the student and his/her lender stay in touch during the repayment period. Even if a student changes schools or pursues a graduate or professional degree, he/she must complete this Loan Exit Interview.

The federal government's website provides an option for the electronic loan Exit Interview. Students may access this using their PIN at www.dl.ed.gov and follow the links to Entrance & Exit Counseling. Students who do not complete the loan Exit Interview will not be allowed to receive their diplomas upon graduation.

Repaying Educational Loans:

As students enter the repayment phase of their educational loans, there are several options available to them. Loan repayment may be "delayed" and this is termed "deferment" and there are many options for this status. Once the repayment phase begins, there are many loan repayment options available for students and www.dl.ed.gov is an excellent source of information.

Grace Period:

The repayment phase of loan borrowing begins with the grace period which, for most loans, is six-months after graduation, termination of studies, or enrollment for less than six credits. Once the grace period is over, the student is expected to select a repayment plan with the federal government or the lender who issued the loan.

Changing Schools or Returning to School Before the End of The Grace Period:

If a student decides to transfer from one school to the next, or "stop" out and return in another term, before the grace period ends, the student's federal loans can revert to a "in-school" status, and repayment will be delayed until six months after the student graduates, leaves school, or drops below half-time enrollment.

To request an in-school deferment, a student must notify the holder of the loan(s) if he/she plans to transfer schools, or will be enrolled for less than 6 credits. The student should complete the borrower's section of the deferment form, and submit it to the Registrar's Office. They will send enrollment information to the Loan Servicing Center. The Servicing Center will send the student an acknowledgement that the form was received and that the loans are still in an in-school status.

Returning to School After The Grace Period Has Ended:

If a student returns to school as a half-time student after a six-month grace period has ended, and federal loans have entered repayment, he/she may qualify for a deferment. Follow the directions above under "Changing Schools or Returning to School."

For an on-line deferment form, click here: www.dlsvicer.ed.gov. After the form is completed by the student, it should be submitted to the Registrar's Office.

Remember that no school will certify a deferment form until a student has been enrolled for a few weeks. Therefore, students may receive notices from their lenders(s) about payments that are due, and should advise them that they are back in school. Students should continue to make payments until the

deferment is processed. Accounts are updated daily by the Loan Service Centers, and students will be notified by mail once the deferment form is received.

Students should always check with their lender to confirm receipt of the deferment form, and the fact that their loan account is in good standing. Also, if there is a change of address, this is a good time to update the lender.

Deferments:

Deferments are for periods of time during which a student doesn't have to repay loans. During deferments of subsidized loans, principal payments are postponed, and interest is not charged. For unsubsidized loans, principal payments are postponed, but interest is charged during the deferment period. You may qualify for a deferment if any of the following conditions exist and you are:

1. Pursuing at least half-time studies at an eligible school;
2. Conscientiously seeking but are unable to find full-time employment (for up to three years);
3. Experiencing economic hardship (for up to three years);
4. In a graduate fellowship program approved by the U.S. Department of Education;
5. In a rehabilitation training program for individuals with disabilities, approved by the U.S. Department of Education

In order to receive a deferment for a Federal Direct Student Loan, a student must do the following:

- Download a deferment form at www.dlservicer.ed.gov at the Loan Servicing Center
- Complete the form with all required documentation (this may require school certification of enrollment by the Registrar's Office).
- Return it promptly to the Loan Servicing Center.

Forbearance:

Forbearance is a temporary postponement or reduction of loan payments mainly related to financial or medical reasons. You may qualify if you are:

1. Obligated to make loan payments on federal student loans that are equal to or greater than 20 percent of your total monthly gross income (for up to three years);
2. Unable to make loan payments due to poor health or other acceptable reasons, and you do not meet a deferment condition;
3. Serving in a medical or dental internship or residency;
4. Serving in a position under the National and Community Service Trust Act of 1993

Cancellation of Loans:

Under severe circumstances, a loan may be totally cancelled and the debt absolved. For example:

1. Total and permanent disability (this cannot be for a condition that existed at the time you applied for Direct Loans/FFELP Loans, unless a doctor certifies that the condition substantially deteriorated after the loans were made);
2. Bankruptcy (in certain cases); or
3. Death of the borrower.

You are still obligated to repay your loans even if you:

- Did not complete the program of study at the school (for reasons other than school closure or false certification of loan eligibility);
- Did not like school or the program of study;
- Did not obtain employment after completing the program of study.

Repayment Plan Options:

When repaying Federal Direct Subsidized Loans and Federal Direct Unsubsidized Loans, student borrowers may choose from four repayment plans:

1) Standard Repayment Plan:

With the Standard Plan, a student will pay a fixed amount each month until the loans are paid in full. Monthly payments will be at least \$50, and the student will have up to 10 years to repay the loans. The Standard Plan is good if the student who can handle higher monthly payments because the repayment of the loans will be much quicker. Monthly payment under the Standard Plan may be higher than it would be under the other plans because the loans will be repaid in the shortest time. For the same reason – the 10-year limit on repayment – the student will pay the least in interest.

2) Extended Repayment Plan:

Under the Extended Plan, the student will still have minimum monthly payments of at least \$50, but the student can take up to 25 years to repay the loans. Students may choose to make fixed monthly payments or graduated monthly payments that start out lower and gradually increase over time. Fixed monthly payments require at least a \$50 payment per month. This plan requires that the student have a loan that exceeds \$30,000 and had no outstanding balance on a Direct Loan Program loan as of October 7, 1989 or on the date he/she obtained a Direct Loan Program loan after October 7, 1998.

3) Graduated Repayment Plan:

With this plan, a student will usually make lower payments at first, and then payments will gradually increase over time. Loans must be repaid in full within 10 years from the date the loan entered repayment. No single payment will be more than three times greater than any other payment.

4) Income Contingent Repayment (ICR) Plan:

This plan gives the student the flexibility to meet their Federal Direct Loan obligations without causing undue financial hardship. Each year, the monthly payments will be calculated on the basis of the students Adjusted Gross Income (AGI), family size, and the total amount of the Federal Direct Student Loans. As income changes, payments may also change. If the loan is not repaid after 25 years under this plan, the unpaid portion will be forgiven. Taxes may have to be paid on any amount forgiven.

If a student does not select a repayment plan, he/she will automatically be placed on the Standard Repayment Plan.

Initial Debt When Loan Enters Repayment	Standard		Extended		Graduated		Income Contingent** Income = \$25,000			
							Single		Married/HoH***	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$5,000	\$58	\$6,905	Not Available		\$40	\$7,278	\$38	\$8,703	\$36	\$9,150
10,500	121	14,500	Not Available		83	15,283	80	18,277	76	19,215
23,000	265	31,762	Not Available		182	33,479	174	40,036	166	42,091
50,000	575	69,048	347	104,111	395	72,778	253	103,268	197	111,575
100,000	1,151	138,096	652	234,693	790	145,556	253	166,457	197	142,386

Notes: *Payments are calculated using thea fixed interest rate of 6.80%
 **Assumes a 5 percent annual income growth (Census Bureau)
 ***HoH is Head of Household – Assumes a family size of two

Loan Default – A Great Risk to a Student’s Financial Future:

If a student fails to make loan payments on time or if he/she defaults on repaying loans, the consequences are serious. One or more of these penalties can be imposed:

1. Your account may be turned over to a collection agency, increasing your total debt by late fees, additional interest, court costs, collection fees, attorney's fees, and other costs.
2. Your debt will be reported to credit bureaus as delinquent, which may damage your credit rating making it difficult for you to obtain a car loan or a home mortgage.
3. The federal government can retain your federal tax refunds.
4. Your employer, at the request of the federal government can withhold (garnish) part of your wages and give them to the federal government as payment.
5. The federal government can take legal action against you.
6. You will not be eligible for further federal student financial aid.
7. You may be denied a professional license

Because being declared in default has such severe repercussions on a credit rating and history, students are urged to always stay in touch with their lender (or the federal government's processor) to remain in good repayment status.

Student Rights and Responsibilities:

Borrowing educational loans is a serious undertaking and there are rights and responsibilities that are connected to it that all students should be aware of. They should:

- Know that their Federal Direct Student Loan(s) is a loan and must be repaid, and fully accept that responsibility
- Understand that my student loan is to be used to pay for their training and necessary living expenses
- Understand repayment will generally begin for the Federal Direct Student Loan Borrowers following a six month grace period
- Inform their lender if their address, telephone number, or name changes, if they leave school, transfer, or drop below half-time status, or if they change graduation dates
- Not be in default on any other loan(s) from any federal Title IV student loan programs
- Understand the concept of a master promissory note and the fact that they may have several loans made under this note
- Understand that they may cancel all or a portion of their loan by informing their school within 14 days after the date they receive a disbursement notice or by the first of the payment period, whichever is later
- Notify their lender if:
 1. withdraw, graduate or fail to enroll in school
 2. register for or drop to a less than half-time status.
 3. transfer to another school
 4. change their name, address, phone number or Social Security number
 5. change their expected date of graduation

Students also have the responsibility to:

- make monthly payments on their loan after they leave school, unless they have a deferment or forbearance.
- notify the U.S. Department of Education Direct Loan Servicing Center of anything that might alter their eligibility for an existing deferment.

Consolidating Educational Student Loans:

Consolidation allows a student to make only one monthly payment to cover all federal loans (including non-direct federal student loans). A federal direct consolidation loan can also simplify repayment for some borrowers – particularly those who have both Federal Direct Federal Student Loans and other federal educational loans. Regardless of how many federal educational loans being repaid, the student may benefit from consolidating the loans into a single account because he/she:

- Can qualify even if you're still in school.
- The interest rate on a Federal Direct Consolidation Loan for which an application is received between February 1, 1999 and June 30, 2003 is based on the weighted

average of the interest rates on the loans being consolidated, rounded to the highest one-eighth of one percent. This rate shall not exceed 8.25 percent.

- May pay based on income.
- Have more repayment choices than ever before.
- Can change the repayment plan at any time.
- Will get everything on one monthly statement.
- Can qualify even if in default.
- Will never have a penalty for early payoff of the loan.
- Will have no minimum or maximum amounts governing consolidation.

Students should be mindful of the fact that they may pay more interest if they extend their repayment period through consolidation, since they will be making payments for a longer period of time.

By consolidating education loans, a student will have only one payment, one place to send a monthly payment and only one telephone call to report a change of address or telephone number, request a deferment or forbearance, or ask a question about a loan(s)

If interested in a Direct Consolidation Loan, a student should call the Direct Loan Origination Center's Consolidation Department at: 1-800-557-7392

Up-to-date information is also available on the Direct Loan website at: www.loanconsolidation.ed.gov/