



# Frequently Asked Questions

## Student Loans and Financial Aid

### What is financial aid?

Financial aid falls into three main categories: grants and scholarships, work-study, and loans. Funding for these financial aid programs comes from colleges and universities, state and federal government programs, and private sources. Financial aid includes any form of financial assistance that helps you pay for college.

#### *Grants and Scholarships*

These forms of financial aid, also known as gift aid, don't have to be repaid and can come in the form of both private and federal programs.

#### *Private Grants and Scholarships*

Awarding of private grants and scholarships may be based on academic achievement, religious affiliation, ethnicity, organizational memberships, hobbies, or special talents. Applying for this aid requires persistent, aggressive pursuit and plenty of time. You're wise to begin your search in your Junior year in high school or even earlier, and remember to apply early as funding may be limited.

#### *Federal Grants and Scholarships*

When you apply for federal financial aid, your eligibility for federal grant and scholarship programs will also be assessed. Two of the most common federal grant programs are:

- **Federal Pell Grants:** Unlike a loan, Pell Grants do not have to be repaid. Generally, Pell Grants are awarded only to undergraduate students who have not earned a bachelor's or professional degree. To determine if you're eligible financially, the U.S. Department of Education uses a standard formula, established by Congress, to evaluate the information you report when you fill out the FAFSA.
- **Federal Supplemental Educational Opportunity Grants (FSEOG):** These grants are awarded to undergraduates with exceptional financial need and gives priority to students who receive Federal Pell Grants. Like the Pell Grant, an FSEOG doesn't have to be repaid.

#### *Work Study*

Work study programs allow you to work part-time at your school or in the community and apply your earnings to the cost of your education.

#### *Education Loans*

The Federal Family Education Loan Program (FFELP) includes both need and non-need-based Stafford loans for undergraduate and graduate students. In addition, the non-need-based PLUS loan is available for parents and stepparents of dependent undergraduate students. Credit Unions and other lending institutions fund FFELP loans and the federal government backs them. Some additional sources of education loan funding include:

- **Federal Perkins Loans:** These loans are available to students with financial need and are awarded and administered directly by schools.
- **Federal Direct Student Loan Program (FDSLP):** Offers the same basic loan terms as the FFELP, although certain features may differ. The federal government lends money through the Department of Education and the school.
- **Health Professions Student Loans (HPSL):** These loans are intended for graduate health professions students with exceptional financial need. They are funded by the federal government and administered by schools.
- **Private Education Loans:** These loans are generally intended to supplement other financial aid. Terms and conditions vary by lender so compare several before choosing.
- **Other Loans:** Families can also use home equity and other types of loans for their education financing needs.

Borrow only what you need and only after exhausting all other alternatives. Be sure to use your borrowed funds only for their intended purpose, and always fulfill your repayment obligations.

## What is the Financial Aid Process?

It all starts with the Free Application for Federal Student Aid (FAFSA), which collects data about you and your family to determine your eligibility for federal grants, work-study, and loan programs. You should submit this form as soon after January 1 as possible. A few additional points about the FAFSA:

- You will need to file a Renewal FAFSA every year.
- Paper FAFSA forms are available from the financial aid office at your school or through your high school guidance counselor.

Data from the FAFSA will be used to determine your Expected Family Contribution (EFC). Your financial aid office will subtract your EFC from your school's Cost of Attendance (COA) to come up with your financial need. This information is then used to determine your financial aid award package.

Awarding normally starts with gift aid, and then work-study is considered (if you expressed interest in that option). If you still have education costs to cover, you may be eligible for federal education loans. All of these types of aid will be clearly outlined in the award letter you'll receive from your school.

## How can I find scholarships?

Scholarships are available through various sources, including colleges and universities, civic organizations, religious institutions and private corporations. Scholarships can be merit-based or need-based. You can find out about scholarships at your local library, through your guidance counselor or through several scholarship search services in the Internet.

## How do I apply for financial aid?

The first step is to submit the Free Application for Federal Student Aid (FAFSA). You may also have to complete applications for scholarships and some loans.

## What is the FAFSA?

The Free Application for Federal Student Aid is a form that you must complete in order to apply for federal financial aid programs. To ensure you receive all the aid for which you are eligible, you should submit your FAFSA as soon after January 1 as possible.

## What factors determine expected family contribution (EFC)?

Your expected family contribution (EFC) is determined using a formula developed by the Department of Education and designed to assess what a family can afford. Factors include the number of family dependents, number of children in college, income, and a percentage of total assets (not including home equity).

## What is a student aid report (SAR)?

After filing your FAFSA, you and all of the schools you listed on your FAFSA will receive a copy of your student aid report (SAR). This document lists all of the information you provided and gives you a chance to review that information for accuracy. If you have any changes to your SAR, send corrections to the address listed on the report.

## What is a financial aid award?

Your financial aid award is prepared by the financial aid office and lists all the types and amounts of financial aid for which you are eligible. It may include grants, scholarships, work study and loans. You need to carefully review your award and compare award letters as you decide which college to attend.

## What is the difference between a subsidized loan and an unsubsidized loan?

A **Subsidized Federal Stafford Loan** is a need-based loan for undergraduate and graduate students. Interest is subsidized by government, meaning, the government pays the interest for you while you are in school at least halftime and for a six-month grace period after you leave school.

An **Unsubsidized Federal Stafford Loan** is not need-based, and the federal government does not subsidize the interest. Therefore, you will be responsible for paying the interest on the loan from the day it is first disbursed. You can, however, choose to defer interest payments until you leave school.

## Are there any loans for parents?

Yes. Parents can get PLUS Loans to cover up to the full cost of education less other financial aid received. Repayment on these loans begins within 60 days of disbursement.

## What is a Grad/PLUS loan?

The PLUS loan has been expanded to include eligibility to graduate and professional students. Repayment begins 60 days after disbursement, however a Grad PLUS borrower may receive a deferment when enrolled on at least a half-time basis.

## What is the Master Promissory Note (MPN)?

The Master Promissory Note is a legal document where by signing the MPN, you are promising to repay your student loan, regardless of whether you graduate or are satisfied with your education.

## Is the MPN my loan application?

No. The MPN is simply the promissory note. Rather than completing a separate application, you begin the loan process each year by answering "yes" to the question on the Free Application for Federal Student Aid (FAFSA) that asks if you are interested in the student loans. The financial aid office will advise you on any additional steps they require in the application process (i.e., completing a loan request or loan information form).

## What should I do with the MPN after it has been completed?

Once the MPN has been completed with your credit union's name and lender number, keep a copy for your records and send the original to the address your credit union has instructed. Be sure to include the school name, city and state, and school code (if known) in the upper right hand corner.

## How long is the MPN valid?

The MPN is valid for 10 years from the time you first sign it.

## Do I have to sign the MPN each year?

If your school is authorized by the Department of Education, and uses the MPN as a multi-year note, you will only have to sign the note once as long as you don't change your lenders. If you attend a two-year or proprietary school, you will need to complete the MPN each year. If your MPN exceeds 10 years, you must sign a new MPN.

One thing to be careful of is borrowing more than you need. Because you may not have to complete an MPN each year, you may lose track of how much you are borrowing from year to year. Keep records of all of your student loans. When deciding how much to borrow, be sure to only borrow what you need to meet your education costs.

## What if I change lenders? Or change schools?

If you change lenders, you must complete a new MPN. If you transfer to another school, you may have to complete another MPN. The financial aid office at your new school will give you instructions on what to do.

## What happens if I list more than one school on the FAFSA and receive an MPN from more than one lender or school?

The financial aid office at the school you plan to attend will certify your MPN for a Stafford loan after they verify your enrollment status. It is your responsibility to

inform each school of your plans to attend or decline their acceptance to avoid multiple loan disbursements and unnecessary paperwork.

## Who is eligible for federal education loans?

Students who are citizens or permanent legal residents and are attending an approved school at least half time are eligible for federal student loans. Male borrowers must satisfy Selective Service requirements.

## What are the interest rates and fees on Stafford and PLUS/Grad PLUS loans?

For loans disbursed on or after July 1, 2006 the interest rates for both loans are fixed. Stafford loans are set at 6.8% and PLUS/Grad PLUS loans are set at 8.5%.

For loans disbursed between July 31, 1998 and June 30, 2006, the interest rates for both loans are variable and adjusted annually on July 1<sup>st</sup>. The rate on Stafford loans is capped at 8.25%; the cap on PLUS loans is 9%.

Stafford loans are subject to an origination fee and up to a 1.0% default fee. PLUS/Grad PLUS loans are subject to a 3.00% origination fee and up to a 1.0% default fee. These fees are deducted from your loan proceeds and will be reflected in your total disbursement amount.

## How much can I borrow?

Loan limits depend on your year in school and dependency status. Independent students and dependent students whose parents don't qualify for a PLUS loan are eligible for additional unsubsidized loans.

### Federal Loan Limits

	Federal Subsidized Stafford	Federal Unsub Stafford - Dependent	Federal Unsub Stafford - Independent	Federal PLUS/ Grad PLUS
<b>Annual Limits</b>				
Year 1	\$3,500	\$3,500*	\$7,500*	Cost of education less financial aid the student receives
Year 2	\$4,500	\$4,500*	\$8,500*	
Year 3	\$5,500	\$5,500*	\$10,500*	
Year 4	\$5,500	\$5,500*	\$10,500*	
Year 5	\$5,500	\$5,500*	\$12,500*	
Graduate	\$8,500	N/A	\$20,500*	
<b>Aggregate Limits</b>				
Undergrad	\$23,000	\$23,000**	\$46,000**	No Cap
Graduate	\$65,000	N/A	\$138,500**	No Cap
*Minus subsidized Stafford awarded				
** Minus subsidized Stafford total previously borrowed				

**If I get a loan, how do I get my money?**

Generally, loan funds are sent in two disbursements, one at the beginning of each semester. For federal education loans, disbursements are sent to your school's financial aid office via check or electronic funds transfer (EFT). Your financial aid office is then responsible for disbursing the funds to you. You should find out what their procedures are for releasing loan funds.

**When do I start repaying loans?**

You do not have to begin repaying your loans until six months after you graduate, withdraw or drop below half time. Remember, on unsubsidized loans interest accrues while you are in school. Although you can choose to defer interest until after your grace period, your total loan costs will be higher because accrued interest will be added to your principal balance (capitalized) when you enter repayment.