

Session 12



Questions we will answer during this session:

What are the similarities between Direct Loans and Federal Family Education Loans (FFELs)?

How much can the student borrow?

What are the differences between the two programs?

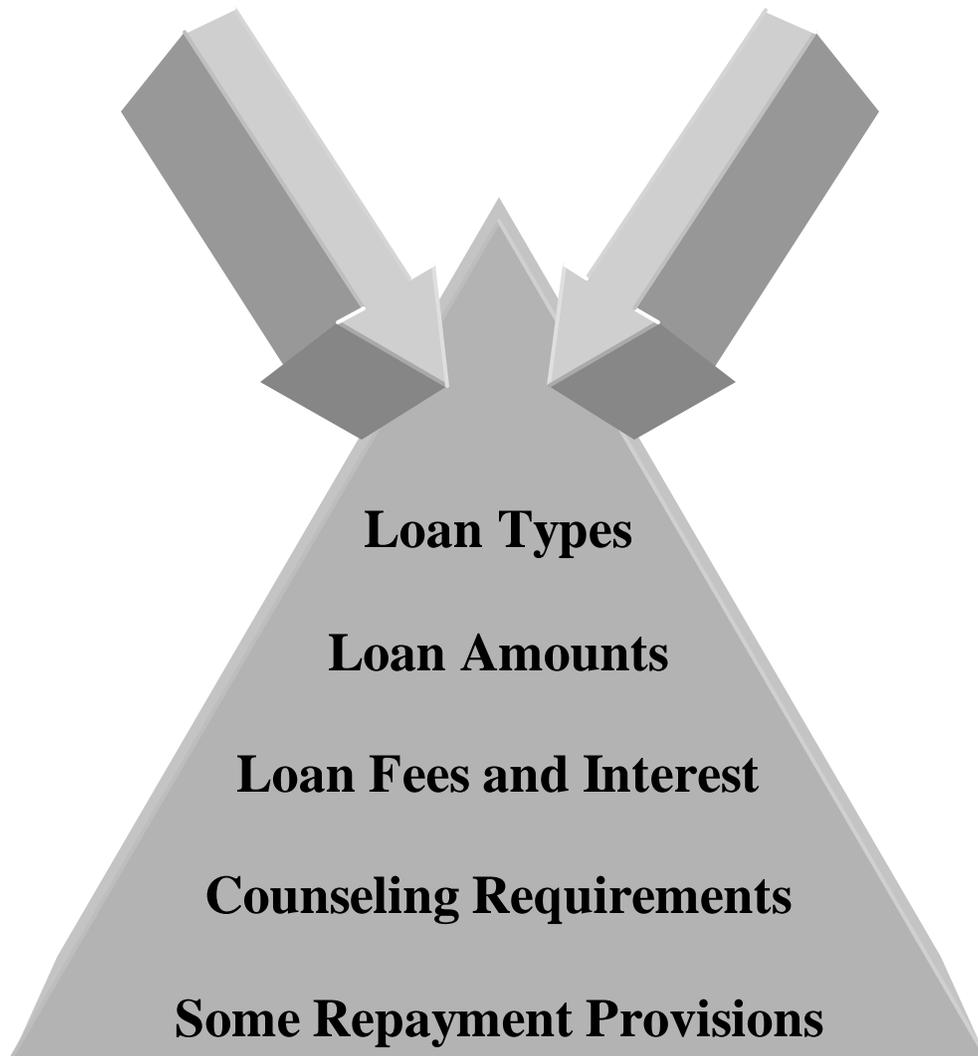
What is the role of the school in processing Direct Loans and FFELs?



What are the similarities between Direct Loans and FFELs ?

**Direct
Loans**

**Federal Family
Education Loans**



How much can the student borrow?

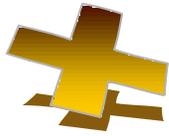
**LOAN LIMITS:
DIRECT AND FFEL**

BASE - SUBSIDIZED & UNSUBSIDIZED

<u>STUDENT YEAR</u>	<u>ANNUAL</u>	<u>CUMULATIVE</u>
1st-year undergrad.	\$2,625	
2nd-year undergrad.	\$3,500	
3rd, 4th, 5th-year undergrad.	\$5,500	\$23,000
<hr/>		
graduate student	\$8,500	\$65,500 (includes undergrad. & graduate total)

ADDITIONAL - UNSUBSIDIZED ONLY

<u>STUDENT YEAR</u>	<u>ANNUAL</u>	<u>CUMULATIVE</u>
1st-year undergrad.	\$4,000	
2nd-year undergrad.	\$4,000	
3rd, 4th, 5th-year undergrad.	\$5,000	\$23,000 - dep. (sub. + unsub.) \$46,000 - ind. (sub. + unsub.)
<hr/>		
graduate student	\$10,000	\$138,500 (includes undergrad. & graduate sub. and unsub. total)



Loan Equations



Base Amounts

Subsidized Base Amount:

$$\text{COA} - \text{EFC} - \text{EFA} = \text{Loan Amount}$$

Remember,
consider loan
limits here!

Unsubsidized Base Amount:

$$\text{COA} - \text{EFA (include base amount)} = \text{Unsub. Base Amount}$$



Practice – Base Amounts

Tonya is a dependent, second-year student. She has a COA of \$5,530. Her EFC is 1,750. The only financial aid she is scheduled to receive so far is a \$1,250 Pell Grant. Calculate Tonya's subsidized and unsubsidized base loan amounts.

Subsidized

$$\frac{\text{COA}}{\text{COA}} - \frac{\text{EFC}}{\text{EFC}} - \frac{\text{EFA}}{\text{EFA}} = \frac{\text{Base}}{\text{Base}}$$

Unsubsidized

$$\frac{\text{COA}}{\text{COA}} - \frac{\text{EFA}}{\text{EFA}} = \frac{\text{Initial amount}}{\text{Initial amount}}$$

Because of loan limits, though, Tonya is actually eligible for \$ _____ in unsubsidized loans.



Loan Equations



Additional Amounts

$$\text{COA} - \text{EFA (including base amount)} = \text{Additional Amount}$$

This amount is unsubsidized!



Practice – Additional Amount

Tonya’s parents try to borrow a PLUS loan, but are denied because of adverse credit. Now Tonya is eligible for additional unsubsidized funds.

Remember, Tonya’s COA is \$5,530. She is already slated to receive a loan of \$3,500, along with her Pell Grant of \$1,250.

$$\frac{\text{COA}}{\text{COA}} - \frac{\text{EFA}}{\text{EFA}} = \frac{\text{Additional Amount}}{\text{Additional Amount}}$$

Remember, this can't exceed the additional loan limit of \$4,000.

Proration

What is loan proration?

- reduction of a student's loan maximum

When must you prorate?

- student's entire program is less than one academic year
 - example: 600 clock-hour program
- student's program is greater than 1 academic year, but *final period of study* is less than 1 academic year
 - example:
 - 1350 clock-hour, 45-week program
 - 900 clock-hour, 30-week academic year
 - Year 1: 900 clock hours; no proration
 - Year 2: 450 clock hours; **PRORATION REQUIRED**
 - example:
 - 3.5 year program, 2 terms per year
 - Years 1-3: no proration
 - Year 4: 1 term remaining, **PRORATION REQUIRED**
- final period of study is measured in terms for term-based schools, and hours or weeks for nonterm schools



Checkpoint #1 – When to Prorate

Michael is enrolled in a computer training program that is 600 clock hours and 15 weeks long. The academic year at his school is 900 clock hours and 30 weeks.

Is proration required for Michael?

Why or why not?

Charlene is beginning her second year of a two-year program. Her school measures progress in 15-week terms, with an academic year of 30 weeks. Because Charlene took classes in the summer at the end of her first year, she only has 18 credits remaining for her program. She decides to take all 18 credits the first semester of the second year, completing the program in December.

Is proration required for Charlene?

Why or why not?

Charlene changes her mind, and decides to take 6 credits in the fall semester of her second year, and 12 credits in the spring semester.

Is proration required in this case?

Why or why not?

How do you prorate?

$$\text{Annual Loan Limit} \times \frac{\text{\# of credit/clock hours in remainder of program}}{\text{\# of credit/clock hours in academic year}^*}$$

*minimum 900 clock hours, 24 or 36 credit hours

Practice – Proration

Michael's program: 600 clock hours
Michael's loan limit: \$2,625

What is his prorated loan limit?

Charlene's program: 18 credit hours remaining
Charlene's loan limit: \$3,500

What is her prorated loan limit?

Direct Loan Program and FFEL Program Interest-Rate Provisions as of 1998

	Subsidized and Unsubsidized Loans	PLUS Loans
Interest Rate	Variable rate; maximum annual rate 8.25%	Variable rate; max. annual rate 9%
Interest Rate Formula	<p style="text-align: center;"><i>For loans first disbursed on or after 07/01/94 through 06/30/95:</i></p> <ul style="list-style-type: none"> • 91-day Treasury bills plus 3.1% <p style="text-align: center;"><i>For loans first disbursed on or after 01/95 through 06/30/98:</i></p> <ul style="list-style-type: none"> • In-school, grace, or deferment: 91-day Treasury bills plus 2.5% • In repayment: 91-day Treasury plus 3.1% <p style="text-align: center;"><i>For loans first disbursed on or after 10/01/98 through 06/30/2003:</i></p> <ul style="list-style-type: none"> • In-school, grace, or deferment: 91-day Treasury bills plus 1.7% • In repayment: 91-day Treasury plus 2.3% 	<p style="text-align: center;"><i>For loans first disbursed on or after 07/01/94 through 06/30/98:</i></p> <ul style="list-style-type: none"> • 52-week Treasury bills plus 3.1% <p style="text-align: center;"><i>For loans first disbursed on or after 10/01/98 through 06/30/2003:</i></p> <ul style="list-style-type: none"> • 91-day Treasury bills plus 3.1%

Grace Periods for Direct Loan Program and FFEL Program

Federal (Subsidized) Stafford Loan ¹ and Direct Subsidized Loan ¹	Federal Unsubsidized Loan ² and Direct Unsubsidized Loan	Federal PLUS Loan and SLS ^{2,3} and Direct PLUS Loan
<p>6 months for all loans for periods of enrollment 01/01/81 and after.⁵</p> <p>9-12 months for all loans for periods of enrollment before 01/01/81.</p>	<p>6 months on repaying principal. Interest may be paid or accrued and capitalized during in-school and grace periods.⁴</p>	<p>None. The repayment period begins on the date the loan is fully disbursed. Interest begins to accrue on the date of the loan's first disbursement.</p> <p>For Federal PLUS Loans on or after 07/01/93, repayment may be deferred while the students for whom the funds are borrowed are enrolled at least half time. Interest may be capitalized.</p>

¹If the grace period has not already been used, the loan's grace period begins on the date the student ceases to be enrolled at least half time.

²Also applied to Federal SLS loans, which were discontinued 07/01/94.

³Combined Federal SLS/federal sub/unsub borrowers have the option to defer Federal SLS repayment for up to 6 months after at least half-time enrollment ceases. This provision applies only when the borrower's loans have not entered repayment.

⁴Paying accrued interest is postponed by adding it to the loan principal as the interest comes due. (This is called "capitalization.")

⁵Not all loans made after 1/1/81 have 6 months grace period. If a student received a 7% loan prior to 1/1/81 with a 9-12 month grace period, the student continued to receive the 7% interest rate and the 9-12 month grace period on subsequent loans up until 7/1/94. Beginning 7/1/94 all loans had variable interest rates and 6 months grace period.

Cancellation and Loan Forgiveness

Borrower	Direct and FFEL Loans
Loan Cancellation	<ul style="list-style-type: none"> • death of borrower • death of student on whose behalf a parent borrowed a PLUS Loan • permanent and total disability of borrower • discharge of loan in bankruptcy • some teaching and childcare provider provisions¹
Loan Forgiveness	<ul style="list-style-type: none"> • students unable to complete their programs of study because their schools closed² • students whose schools falsely certified their loans

¹For loans made on or after October 1, 1998.

For more information, see www.ed.gov/OPE/students/repayment/teachers

²These students are only eligible for forgiveness if their schools do not provide them with an alternate way to complete their program. This may include attendance at another nearby school that has an agreement in place with the closing school.

Entrance/Exit Loan Counseling For Direct Loans and FFEL Programs Loans

HOW to cover:

ENTRANCE COUNSELING	EXIT COUNSELING
<p>³ In-person presentation or by videotape or by computer-assisted technology. Individual with Title IV expertise must be available to answer borrower questions</p> <p>³ Written counseling materials permissible for students enrolled in correspondence study or study-abroad programs</p> <p style="text-align: center;"><i>OR</i></p> <p>³ "Alternative Entrance Counseling Approach" for Direct Loan borrowers only:</p> <ul style="list-style-type: none"> • Written counseling material provided to first-time Direct Loan borrowers • Counseling efforts targeted to certain groups of borrowers • Entrance-counseling plan must be part of school's quality assurance plan 	<p>³ In-person presentation</p> <p>³ Written counseling materials:</p> <ul style="list-style-type: none"> • Mandatory for students who have withdrawn without notifying the school or have failed to attend scheduled exit counseling • Permissible for students enrolled in correspondence study or study-abroad program

WHEN to cover:

ENTRANCE COUNSELING	EXIT COUNSELING
<p>³ Prior to delivery of the first disbursement of the first Stafford Loan a borrower will receive at your school.</p>	<p>³ Shortly before any borrower ceases at least half-time enrollment or (by mail) within 30 days:</p> <ul style="list-style-type: none"> • After learning that the student has withdrawn without the notifying school • After the student has failed to attend scheduled exit counseling • After student completed correspondence program or study-abroad program

WHAT to cover:

REQUIRED CORE ITEMS

ENTRANCE COUNSELING	EXIT COUNSELING
<p>³ Emphasize seriousness and importance of repayment</p> <p>³ Emphasize consequences of default, including adverse credit reports, garnishment of wages, and litigation</p> <p>³ Emphasize obligation to repay full amount of loan, regardless of borrower's ability to gain employment after leaving school or dissatisfaction with the program</p> <p>³ For Direct Loans, provide data on average indebtedness and average monthly repayment of students who obtained loans at that school or in borrower's program of study</p>	<p>³ Provide name and address of the borrower's lender(s)</p> <p>³ Inform student of average monthly repayment amount based on student's indebtedness</p> <p>³ Review available repayment options & obligations</p> <p>³ Provide borrower with debt-management strategies that would facilitate repayment</p> <p>³ Explain how to contact the party servicing the student's loan</p> <p>³ Emphasize seriousness and importance of repayment</p> <p>³ Emphasize consequences of default, including adverse credit reports, garnishment of wages, and litigation</p> <p>³ Review deferment, forbearance, and cancellation conditions</p> <p>³ Require borrower to provide corrections to school's records concerning name, address, Social Security number, references, driver's license number with state where it was issued, and name and address of expected employer</p>

What are the differences between the programs

**Direct
Loans**

**Federal Family
Education Loans**

Source of funds

U.S. Department of
Education

Private lenders

Application Process

FAFSA alone

FAFSA and FFEL
application (through
1999-2000 only)

Disbursement Process

Schools receive funds
from ED, and *disburse* to
students

Lenders *disburse*
to schools, and
schools *deliver*
to students

Repayment Process

Standard
Extended
Graduated
Income-contingent

Standard
Extended
Graduated
Income-sensitive

Examples of Typical Beginning Payments for FFEL Repayment Plans¹ Monthly and Total Payments Under Different Repayment Plans

Total Debt When Borrower Enters Repayment	Standard ²		Graduated ³		Income-sensitive ⁴ (Income=\$25,000)	
	Per Month	Total Payment	Per Month	Total Payment	Per Month	Total Payment
\$2,500	\$50	\$3,074	\$30	\$3,695	\$83	\$2,802
5,000	61	7,359	34	6,006	83	6,335
7,500	92	11,039	52	12,009	83	12,043
10,000	123	14,718	69	16,012	83	17,783
15,000	184	22,078	103	24,018	103	28,265

¹Note: Payments are calculated using the maximum interest rate of 8.25% for student borrowers.

²Equal and fixed monthly payments (\$50 minimum).

³Interest payments are for the first 48 months (\$30 minimum); equal and fixed payment for the last 72 months.

⁴Assumes a 5% annual income growth (Census Bureau). Payment equals greater of 4% of income or interest only. If payment amount is less than under the Standard Repayment Plan amount in the year, the term is extended by one year. The maximum number of extensions is five. That is, the maximum term is 15 years, the last 10 of which would be under the Standard Repayment Plan (equal and fixed).

Examples of Typical Beginning Payments for Direct Loan Repayment Plans¹ Monthly and Total Payments Under Different Repayment Plans

Total Debt When Borrower Enters Repayment	Standard ²		Extended		Graduated		Income Contingent ³ (Income=\$25,000)			
	Per Month	Total Payment	Per Month	Total Payment	Per Month	Total Payment	Single		Married/ROH ⁴	
	Per Month	Total Payment	Per Month	Total Payment	Per Month	Total Payment	Per Month	Total Payment	Per Month	Total Payment
\$2,500	\$50	\$3,074	\$50	\$3,074	\$25	\$4,029	\$23	\$4,512	\$22	\$4,662
5,000	61	7,359	65	7,893	35	8,646	45	9,323	43	9,325
7,500	92	11,039	82	11,843	53	12,970	68	13,535	65	13,987
10,000	123	14,718	97	17,462	69	19,175	91	18,046	86	19,650
15,000	184	22,078	146	26,194	103	28,762	136	27,370	129	27,974

¹Note: Payments are calculated using the maximum interest rate of 8.25% for student borrowers.

²Equal and fixed monthly payments (\$50 minimum).

³Assumes a 5% annual income growth (Census Bureau).

⁴ROH is Head of Household. Assumes a family size of two.

Application and Promissory Note for Federal Stafford Loans (subsidized and unsubsidized)

Guarantor or Program Identification

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 32 U.S.C. 1097

Borrower Section

Please print neatly or type. Read the instructions carefully.

1. Last Name		First Name		MI	3. Social Security Number
3. Permanent Street Address (If P.O. Box, see instructions)				4. Telephone Number () - () - () - ()	5. Loan Period (Month/Year) From: To:
City	State	Zip Code		6. Driver's License Number (List state abbreviation first)	
7. Lender Name	City	State	Zip Code	8. Lender Code, if known	9. Date of Birth (Month/Day/Year)

10. References: You must provide two separate references with different U.S. addresses. The first reference should be a parent or legal guardian (if living). Both references must be completed fully.

Name	1. _____	2. _____
Permanent Address	_____	_____
City, State, Zip Code	_____	_____
Area Code/Telephone	() - _____	() - _____
Relationship to Borrower	_____	_____

Loan Assistance Requested

11. I request the following loan type(s), to the extent I am eligible (see instructions):

a. Subsidized Federal Stafford b. Unsubsidized Federal Stafford

12. I request a total amount under these loan types not to exceed (see instructions for loan maximums). My school will certify my eligibility for each loan type for which I am applying. The amount and other details of my loan(s) will be described to me in a separate statement.

\$ _____ .00

13. If I check yes, I am requesting postponement (deferral) of repayment for my Stafford and prior SLS loan(s) during the in-school and grace periods. If I check no, I do not want to defer repayment.

a. Yes, I want a deferral b. No, I do not want a deferral

14. If I check yes, I am requesting that the lender add the interest on my unsubsidized Stafford and prior SLS loan(s) which accrues during the in-school and deferral periods, to my loan principal (capitalization). If I check no, I prefer to pay the interest.

a. Yes, I want my interest capitalized b. No, I prefer to pay the interest

15. If my school participates in electronic funds transfer (EFT), I authorize the school to transfer the loan proceeds received by EFT to my student account.

a. Yes, transfer funds b. No, do not transfer funds

Promissory Note

Promise to Pay: I promise to pay to the lender, or a subsequent holder of this Promissory Note, all sums disbursed (hereafter "loan" or "loans") under the terms of this Note, plus interest and other fees which may become due as provided in this Note. If I fail to make payments on this Note when due, I will also pay reasonable collection costs, including attorney's fees, court costs, and collection fees. I understand I may cancel or reduce the size of any loan by refusing to accept any disbursement that is issued. I understand that this is a Promissory Note. I will not sign this Note before reading it, including the writing on the reverse side, even if otherwise advised. I am entitled to an exact copy of this Promissory Note and the Borrower's Rights and Responsibilities. My signature certifies I have read, understand, and agree to the terms and conditions of this Application and Promissory Note, including the Borrower Certification and Authorization printed on the reverse side and the accompanying Borrower's Rights and Responsibilities statement.

Continued on the reverse side.

THIS IS A LOAN(S) THAT MUST BE REPAYED.

16. Borrower's Signature _____ Today's Date (Month/Day/Year) _____

School Section

To be completed by an authorized school official.

17. School Name	23. School Code/Branch	28. Telephone Number () - () - () - ()
18. Street Address	24. Cost of Attendance \$ _____ .00	29. Recommended Disbursement Rate(s) (Month/Day/Year) 1st _____ 2nd _____ 3rd _____ 4th _____
City State Zip Code	25. Federal Expected Family Contribution \$ _____ .00	30. School Certification (See box on the reverse side.) Signature of Authorized School Official _____ Print or Type Name and Title _____ Date _____
19. Loan Period (Month/Day/Year) From: To:	26. Estimated Financial Aid \$ _____ .00	Check box if electronically transmitted to guarantor: <input type="checkbox"/>
20. Grade Level	27. Certified Loan Amounts a. Subsidized \$ _____ .00 b. Unsubsidized \$ _____ .00	
21. Enrollment Status (Check one) <input type="checkbox"/> Full Time <input type="checkbox"/> At Least Half Time		
22. Anticipated Completion (Graduation) Date (Month/Day/Year)		

Lender Section

To be completed by an authorized lending official.

31. Lender Name	32. Lender Code/Branch	33. Telephone Number () - () - () - ()	34. Lender Use Only
Street Address	35. Amount(s) Approved a. Subsidized \$ _____ .00 b. Unsubsidized \$ _____ .00		
City State Zip Code	36. Signature of Authorized Lending Official _____	Print or Type Name, Title, and Date	

Federal Family Education Loan Program (FFELP)

Guarantor, Program, or Lender Identification

Federal Stafford Loan Master Promissory Note

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 U.S.C. 1097.

Borrower Information

Please print neatly or type. Read the instructions carefully.

1. Last Name		First Name		MI	2. Social Security Number	
3. Permanent Street Address (if P.O. Box, see instructions)				4. Home Telephone Number		5. Date of Birth (Month/Day/Year)
City		State	Zip Code	6. Driver's License State and Number		7. E-mail Address (Optional)
8. Lender Name		City		State	Zip Code	9. Lender Code, if known

10. References: You must provide two separate references with different U.S. addresses. The first reference should be a parent (if living) or legal guardian. Both references must be completed in full.

Name	A. _____	B. _____
Permanent Address	_____	_____
City, State, Zip Code	_____	_____
Area Code/Telephone	() _____	() _____
Relationship to Borrower	_____	_____

11. Requested Loan Amount: I request a total amount of subsidized and unsubsidized loans under this Master Promissory Note not to exceed the allowable maximums under the Higher Education Act. For the academic period, I request the maximum amount the school determined I am eligible to receive unless I enter a lower amount below.

\$ _____ of _____

12. Interest Payments (Optional)

I want to pay unsubsidized interest while I am in school.

Borrower Certifications and Authorizations

Read carefully before signing below.

13. I declare, under penalty of perjury that the following is true and correct:
- I certify that the information I have provided on this Master Promissory Note 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 certify that 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 certify that I do not now owe a refund on a Federal Pell Grant, Supplemental Educational Opportunity Grant, or a State Student Incentive Grant and that I am not now in default on any loan received under the Federal Perkins Loan Program (including NSL loans), the Federal Direct Loan Program, or the Federal Family Education Loan Program ("FFELP" as defined in the Borrower's Rights and Responsibilities statement); or I have made satisfactory payment arrangements on the defaulted loans.
14. For all subsidized and unsubsidized Federal Stafford Loans (as described in the additional note provisions and the Rights and Responsibilities statement) I receive under this Master Promissory Note, and for certain other loans as described below, I make the following authorizations:
- I authorize my school to certify my eligibility for loans under this Master Promissory Note.
 - I authorize my school to transfer loan proceeds received by electronic funds transfer (EFT) or master check to my student account.
- I authorize my school to pay to the lender any refund that may be due up to the full amount of the loans.
 - I authorize the lender, the guarantor, or their agents, to investigate my credit record and report information concerning my loan status to persons and organizations permitted by law to receive such information.
 - I request and authorize my lender to: (i) during the in-school and grace periods of any loans made under this Note, defer and align the repayment of principal on all of my FFELP loans that are in repayment status, and (ii) add unpaid interest that accrues on all my FFELP loans to the principal balance of such loans ("capitalization") including such loans made under this Note, during forbearance periods, and for unsubsidized loans, during in-school, grace, and deferment periods. "Capitalization" will increase the principal balance on my loans and the total amount of interest cost I incur.
 - I authorize the release of information pertinent to my loans: (i) by the school, the lender, and the guarantor, or their agents, to the references on the applicable loans and to members of my immediate family unless I submit written directions otherwise; and, (ii) by and among my schools, lenders, guarantors, the Department of Education, and their agents.
 - So that the loans requested can be approved, I authorize the Department of Education to send any information about me that is under its control, including information from the Free Application for Federal Student Aid, to the school, the lender, and to state agencies and nonprofit organizations that administer financial aid programs under the FFELP.

Promise to Pay *In this Note, "lender" refers to, and this Note benefits, the original lender and its successors and assigns, including any subsequent holder of this Note.*

15. I promise to pay to the order of the lender all sums disbursed (hereafter "loan" or "loans") under the terms of this Master Promissory Note (hereafter "Note"), plus interest and other fees that may become due as provided in this Note. I understand that multiple loans may be made to me under this Note. I understand that by accepting any disbursements issued at any time under this Note, I accept the obligation to repay the loans. I understand I may cancel or reduce the amount of any 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 accrues on my unsubsidized loans during in-school, grace, and deferment periods will be added to the principal balance of such loans. If I fail to make any payment on any loan made under this Note when 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 Note before reading the entire Note, even if otherwise advised. I am entitled to an exact copy of this Note and the Borrower's Rights and Responsibilities statement. My signature certifies I have read, understand, and agree to the terms and conditions of this Note, including the Borrower Certifications and Authorizations primed above, the Notice Applicable to Subsequent Loans Made Under This Note, and the Borrower's Rights and Responsibilities statement.

I UNDERSTAND THAT I MAY RECEIVE ONE OR MORE LOANS UNDER THIS MASTER PROMISSORY NOTE, AND THAT I MUST REPAY SUCH LOAN(S).

16. Borrower's Signature _____ 17. Today's Date (Month/Day/Year) _____

Additional Note provisions follow

Application and Promissory Note for Federal PLUS Loan

Guarantor or Program Identification

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 U.S.C. 1097.

Borrower Section (To be completed by the parent.)

Please print neatly or type. Read the instructions carefully.

1. Last Name First Name		MI		2. Social Security Number	
3. Permanent Street Address (if P.O. Box, see instructions.)			4. Telephone Number () - () - () - ()		5. Loan Period (Month/Year) From: To:
City	State	Zip Code	6. Driver's License Number (if state has one)		7. Date of Birth (Month/Day/Year)
8. Lender Name	City	State	Zip Code	9. Lender Code, if known	10. Requested Loan Amount \$
11. U.S. Citizenship Status (Check one and list ID number if applicable): <input type="checkbox"/> a. Citizen/Resident <input type="checkbox"/> b. Eligible Non-Citizen (Alien ID #)					
12. a. State of Legal Residence		b. Since (Month/Year)		13. Employer (Name, City, State) Telephone Number () - () - () - ()	
14. Are you currently in default on a federal education loan, or do you owe a refund on a federal student grant? If yes, see what need instructions and attach required documentation. <input type="checkbox"/> a. Yes <input type="checkbox"/> b. No					
15. If the school your dependent is attending participates in federal funds transfer (SFT), do you authorize the school to transfer its loan proceeds received by SFT to your dependent's student account? <input type="checkbox"/> a. Yes <input type="checkbox"/> b. No					
16. Do you have an outstanding Federal Stafford, Sacramento Loan or Student Parent PLUS, or Consolidation Loan which was disbursed before July 1, 1997? If you checked "yes", do you want to postpone (defer) payment of the principal of this loan based on the student's in-school status? (See instructions—additional documentation may be required if the student is not enrolled full time.) <input type="checkbox"/> a. Yes <input type="checkbox"/> b. No If you checked "yes" to Box 16 and 1c, do you want the interest that accrues on this loan deferred and capitalized? If no, you will be required to pay the interest. <input type="checkbox"/> c. Yes <input type="checkbox"/> d. No					
17. References: You must provide two separate references with different U.S. addresses. Both references must be completed fully. <input type="checkbox"/> e. Yes <input type="checkbox"/> f. No					
Name		1.		2.	
Permanent Address					
City, State, Zip Code					
Area Code/Telephone					

Promissory Note

Promise to Pay: I promise to pay to the lender, or a subsequent holder of this Promissory Note, all sums disbursed (hereafter "loan" or "loans") under the terms of this Note, plus interest and other fees which may become due as provided in this Note. I intend to make payments on this Note when due. I will also pay reasonable collection costs, including attorney's fees, court costs and collection fees. I understand I may cancel or reduce the size of any loan by refusing to accept any disbursements that are issued. I understand that this is a Promissory Note. I will not sign this Note before reading it, including the writing on the reverse side, even if someone advised me. I am entitled to an exact copy of this Promissory Note and the Borrower's Rights and Responsibilities. My signature certifies I have read, understood, and agree to the terms and conditions of the Application and Promissory Note, including the Borrower Certification and Authorization printed on the reverse side, and the accompanying Borrower's Rights and Responsibilities statement.

THIS IS A LOAN THAT MUST BE REPAYED.

18. Borrower's Signature _____ Today's Date (Month/Day/Year) _____

Student Section (To be completed by the student.)

Please print neatly or type. Read the instructions carefully.

19. Last Name First Name		MI		20. Social Security Number		21. Date of Birth (Month/Day/Year)	
22. U.S. Citizenship Status (Check one and list ID number if applicable): <input type="checkbox"/> a. Citizen/Resident <input type="checkbox"/> b. Eligible Non-Citizen (Alien ID #)							
23. Are you currently in default on a federal education loan, or do you owe a refund on a federal student grant? If yes, see what need instructions and attach required documentation. <input type="checkbox"/> a. Yes <input type="checkbox"/> b. No							
24. My signature certifies that I have read, understood and agree to the conditions in the Student Certification and Authorization printed on the reverse of the Application and Promissory Note. Student's Signature _____ Today's Date (Month/Day/Year) _____							

School Section (To be completed by an authorized school official.)

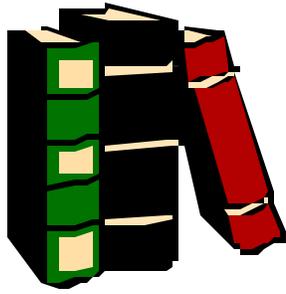
25. School Name		31. School Code/Division		34. Telephone Number () - () - () - ()	
26. Street Address			32. % of Attendance 1 00		37. Recommended Disbursement Dates (Month/Day/Year) 1st 2nd
City	State	Zip Code	33. Estimated Financial Aid \$ 00		
27. Loan Period (Month/Day/Year) From: To:		28. Grade Level		34. Certified Loan Amount 1 00 2nd 3rd 4th	
29. Enrollment Status (Check one): <input type="checkbox"/> Full Time <input type="checkbox"/> At Least Half Time				35. Signature of Authorized School Official/Date (See School Certification box on the reverse side.)	
30. Anticipated Completion (Graduation) Date (Month/Day/Year)				Print or Type Name and Title _____ Check box if electronically transmitted to guarantor: <input type="checkbox"/>	

Lender Section (To be completed by an authorized lending official.)

38. Lender Name		39. Lender Code/Division		40. Telephone Number () - () - () - ()		41. Amount Approved		
Street Address			42. Signature of Authorized Lending Official				43. Lender Use Only	
City	State	Zip Code	Print or Type Name and Title _____		Date _____			

Final Exam - True or False?

- 1) Interest is covered during periods of deferment or forbearance for a subsidized loan. _____
- 2) The base amount can be either subsidized or unsubsidized, but the additional amount will only involve unsubsidized funds. _____
- 3) For term-based schools, proration is required if the remainder of a program is less than 30 weeks. _____
- 4) For nonterm schools, proration is required if the remainder of a program is less than an academic year in weeks or hours. _____
- 5) Interest does not accrue during the grace period of either an unsubsidized or a subsidized loan. _____
- 6) Any changes to student data a school discovers upon exit counseling should be reported to ED within 30 days. _____
- 7) Students wanting a Direct Loan or a FFEL must complete an application besides the FAFSA. _____
- 8) A school may choose to certify a student's application for less than the amount for which the student is eligible. _____
- 9) PLUS borrowers must always complete a FAFSA. _____
- 10) Once the loan is fully disbursed, PLUS repayments begin after a 6-month grace period. _____



Resources

Resources

- ★ *Federal Student Financial Aid Handbook:
Direct Loan and FFEL Programs Reference*

- ★ 34 CFR 682 (FFEL) and 685 (Direct Loan)

- ★ 1999-00 Direct Loan School Guide

- ★ Dear Colleague Letter GEN-98-25
(FFEL Master Promissory Note)

Answer



Key

Practice – Base Amount

Subsidized

$$\$5,530 - 1,750 - \$1,250 = \$2,350 \text{ (sub. amount)}$$

Unsubsidized

$$\$5,530 - \$3,780 = \$1,750 \text{ (initial unsub. amount)}$$

Because of loan limits, Tonya is actually eligible for \$970.

Practice – Additional Amount

$$\$5,530 - \$4,750 = \$780$$

Checkpoint #1

Michael: **Yes. His program is less than one academic year.**

Charlene: **Yes. She is attending less than one academic year.**

Charlene (alternate): **No. She is attending both terms in the year.**

Proration

$$\text{Michael: } \$2,625 \times 600/900 = \$1,750$$

$$\text{Charlene: } \$3,500 \times 18/24 = \$2,625$$

Answer Key (cont' d)

Final Exam

- 1) F
- 2) T
- 3) F
- 4) T
- 5) F
- 6) F
- 7) F
- 8) T
- 9) F
- 10) F