

What is the University's loan process?

On March 25, 2010, the U.S. House of Representatives and the U.S. Senate passed the Health Care and Education Affordability Reconciliation Act of 2010 ("HCEARA"-H.R. 4872) . This bill makes major changes in several federal student aid programs AND mandates that, effective July 1, 2010, **all federal student loans (Stafford, PLUS, and Grad PLUS)** will be originated through the Federal Direct Loan Program. President Obama signed the bill into law on March 30, 2010. The Family Federal Education Loan Program, which permitted private lenders to originate these loans, was eliminated effective June 30, 2010. All federal loans are now processed through the Department of Education.

What do I have to do to get my federal loan funds for next year?

1. Complete the **Free Application for Federal Student Aid (FAFSA)**,
2. Provide any documents requested by our office (i.e. verification if chosen)
3. Review the loan amount(s) on your award letter; if you plan to accept the loan(s) then proceed to the next step. If you want to reduce or decline the loan(s) please contact your financial aid counselor or send an email to xufinaid@xavier.edu.
4. New student borrowers will need to complete Entrance Counseling. Returning students who have borrowed in previous years have already completed this requirement.
5. Complete a Master Promissory Note (new borrowers only).

How do I complete the MPN and Entrance Interview?

The Department of Education has launched a web site that will serve as a portal for Direct Loan borrowers to manage their Direct Loans. The web site is www.studentloans.gov. Borrowers will use the StudentLoans.gov web site to:

1. Complete Stafford Entrance Counseling
2. Complete a Direct Loan electronic Master Promissory Note (MPN) and/or verify that an MPN has been completed.

You will need the same personal identification number (PIN) that you used for your FAFSA to electronically sign the MPN. If you do not have a PIN, you may obtain one at www.pin.ed.gov.

Note for Graduate Students: If you will borrow from both the Stafford and GradPLUS programs, you will need to complete a separate MPN for each loan program.

What are the fees in the Direct Loan program?

In the Direct program there is a 1% origination fee for Stafford loans. However, there is a .5% rebate which results in a net fee of .5%. To retain this rebate, the borrower's first 12 monthly payments must be made on time. Otherwise, a charge for the initial rebate will be added to the outstanding loan principal.

The Federal Direct PLUS/GradPLUS loan has a 4% origination fee with a 1.5% rebate. This results in a net fee of 2.5%, which will be deducted from each loan disbursement. The same conditions stated above apply for retaining the rebate.

What are the benefits of the Federal Direct Loan Program?

The Direct Loan Program offers:

- A guaranteed source of funding for student loans;
- A lower interest rate on PLUS loans (versus PLUS loans processed by FFELP lenders)
- A single point of service for students during repayment;
- Additional repayment options for students and interest rate reductions for on time payment

Where can I find information about who services my federal loans?

You can find information about the servicers of your federal loans at www.nslds.ed.gov. You will need your pin number from the FAFSA to access this site.

What are the repayment options?

- **Standard Repayment**-With the standard plan, borrowers pay a fixed amount each month until the loans are paid in full. The monthly payments will be at least \$50; borrowers have up to 10 years to repay the loans.
- **Extended Repayment**- Borrowers must have more than \$30,000 to be eligible for the extended plan and they have 25 years to repay it. Under the extended plan borrowers have two options: fixed or graduated payments. Fixed payments are the same amount each month while in repayment, like the standard plan; graduated payments start low and increase every two years, like the graduated plan (below).
- **Graduated Repayment**- With this plan the payments start out low and increase every two years. The length of the repayment period will be up to ten years. If a borrower

expects their income to increase steadily over time, this plan may be right for them. The monthly payment will never be less than the amount of interest that accrues between payments. Although the monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

- **Income Contingent Repayment**- This plan gives the borrower the flexibility to meet the Direct Loan payment obligation without causing undue financial hardship. Each year, the monthly payments will be calculated on the basis of the borrower's adjusted gross income, family size, and the total borrowed amount from the Direct Loans. Under this plan borrowers will pay the lesser of:
 1. The amount that would be paid if you repaid the loan in 12 years multiplied by an income percentage factor that varies with the borrower's annual income, or
 2. 20% of the borrower's monthly discretionary income.

If loan payments are not large enough to cover the interest that has accumulated on the borrower's loans, the unpaid amount will be capitalized once each year. However, capitalization will not exceed 10 percent of the original amount the borrower owed when they entered repayment. Interest will continue to accumulate but will no longer be capitalized. The maximum repayment period is 25 years. If a borrower hasn't fully repaid their loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. Borrowers may have to pay taxes on the amount that is discharged.

- **Income-based Loan Repayment Program** - Under this plan the required monthly payment will be based on your income during any period when you have a partial financial hardship. Your monthly payment may be adjusted annually. The maximum repayment period under this plan may exceed 10 years. If you meet certain requirements over a specified period of time, you may qualify for cancellation of any outstanding balance of your loans.

Will I still be able to borrow an alternative loan through an outside lender?

Yes, there are still alternative loan programs that are available.