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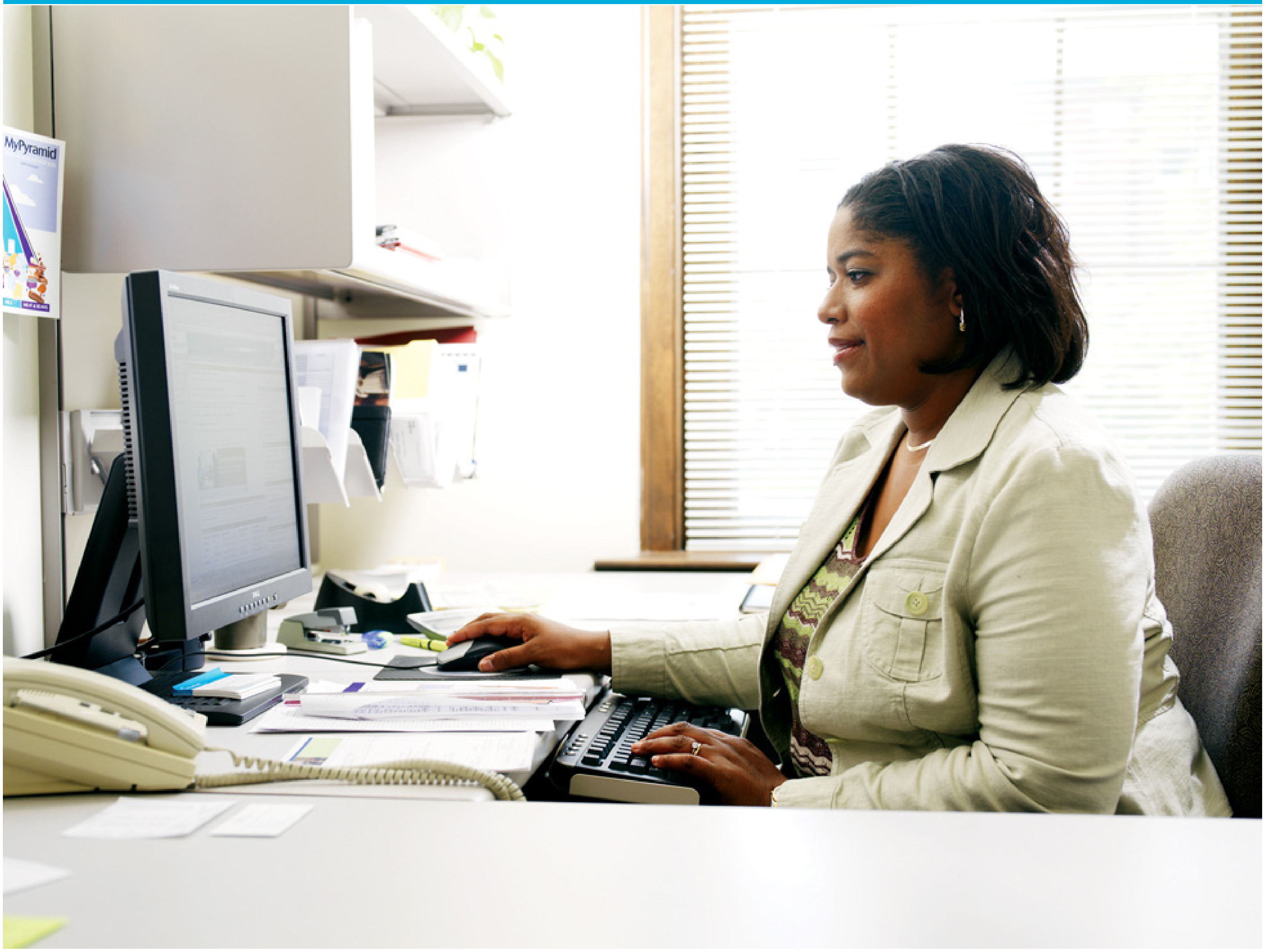

The FFELP Guide

MASFAP Fall Conference

Becca Diskin
Regional Training Executive
Nov. 6, 2006

USAFunds

Special Note

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Federal Family Education Loan Program Guide

FFELP Milestones

1965	HEA establishes Guaranteed Student Loan Program, the predecessor to the Federal Family Education Loan Program.
1966	States establish guaranteed-loan programs.
1976	HEA amendments establish or designate guarantors in every state.
1978	Middle Income Student Assistance Act removes income limitations on borrowers in the GSL program.
1980	PLUS loan established in reauthorization of the HEA.
1986	HEA reauthorization requires that borrowers demonstrate need to be eligible for the GSL interest subsidy.
1987	GSL renamed Stafford loan after Sen. Robert T. Stafford, R-Vt.
1992	HEA amendments add unsubsidized Stafford loans to Federal Family Education Loan Program.
1993	The Student Loan Reform Act of 1993, part of the Omnibus Budget Reconciliation Act, was signed. Established direct-lending program.
1998	The Higher Education Amendments of 1998 signed into law. U.S. Department of Education introduced the Master Promissory Note for FFELP loans.
2004	Variable student-loan interest rates reach historic low.
2006	Stafford student-loan interest rates changed from variable to fixed rate. PLUS Loans available to graduate and professional students.

notes

FFELP Players

To understand how the FFELP works, you should know the role of the players and how they work together. The FFELP is the largest federal student-aid program. Because of the size of the FFEL program and the number of students who rely on the loans this program provides, it is important for you to fully understand the program.

The Federal Government

The U.S. government oversees programs, sets policies and monitors compliance.

Congress

Through a process called reauthorization, Congress reviews the Higher Education Act and determines if changes to the law are necessary.

- ❑ Occurs approximately every five years.
- ❑ Includes review of and possible changes to the FFELP.
- ❑ Amendments are revisions or changes to existing legislation. Congress may pass amendments at any time.

U.S. Department of Education

The U.S. Department of Education is the agency responsible for administering and regulating the FFELP on behalf of the federal government.

- ❑ Administers the Higher Education Act.
- ❑ Issues notices of proposed rulemaking, final regulations, Dear Colleague Letters and other policy guidance.
- ❑ Sets overall policy for FFELP including:
  - ❍ Federal Stafford-loan program.
  - ❍ Federal PLUS-loan program.
  - ❍ Federal Consolidation-loan program.
- ❑ Monitors participant compliance.
- ❑ Administers the William D. Ford Direct Loan program.

Borrowers

Borrowers include students seeking a postsecondary education who need financial assistance and parent-borrowers applying for a loan on their child's behalf.

- ❑ Provide application information (FAFSA and promissory note).
- ❑ Sign promissory note to acknowledge understanding of the terms and conditions of the loan as well as their rights and responsibilities.
- ❑ Responsible for repaying the loan following the grace period, or in the case of parent-borrowers, 60 days after loan proceeds have been disbursed.

Educational Institutions

All postsecondary-educational institutions eligible to participate in the program are responsible for the following:

- ❑ Determine borrowers' eligibility.
- ❑ Award federal aid.
- ❑ Process application files.
- ❑ Certify loan applications.
- ❑ Process loan proceeds.
- ❑ Monitor borrowers' enrollment status.
- ❑ Reconcile student accounts.

Lenders

Lenders are financial institutions, such as banks, savings and loan associations, or credit unions, that make education loans to student- and parent-borrowers.

- ❑ Must comply with ED's lending regulations.
- ❑ Set institutional lending policy.
- ❑ Provide capital.
- ❑ Provide loan servicing or work with a servicer.
- ❑ Interact with guarantors.
    - ❍ Loan-status reporting.
    - ❍ Disbursement manifesting.
    - ❍ Federal-default fee reporting and payment.
    - ❍ Claim filing.

notes

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Guarantors

Guarantors are state government agencies or private nonprofit organizations that insure lenders against loss.

- ❑ Provide a guarantee of payment to lenders if borrowers fail to repay loans.
- ❑ Maintain a reserve of funds to pay lender claims.
- ❑ Monitor school and lender compliance with federal regulations and guarantor policies.
- ❑ Provide administrative-support services.
  - ❍ Receive and process loan applications.
  - ❍ Issue Notices of Loan Guarantee and Disclosure Statements.
  - ❍ Bill lenders for federal-default fees.
  - ❍ Process borrower-status updates.
  - ❍ Provide lender-management reports.
  - ❍ Confirm enrollment status of student-borrowers.
  - ❍ Provide services to enhance borrowers' financial literacy and to help prevent loan defaults.
  - ❍ Process claims and loan forgiveness and discharge applications filed by lenders.
  - ❍ Pursue collection of defaulted loans.

Guarantors also are charged with several important quality-assurance functions. Default management, counseling-services strategies and data management often are provided to lenders and schools. Training about financial-aid regulations as well as professional-development topics may be offered. Personalized consultation by financial-aid professionals in the areas of policy and procedures, regulations and best practices also may be provided. Guarantors also are required to conduct compliance audits of schools and lenders. These audits are intended to identify areas in which compliance can be improved.

Based on a model enacted during the 1998 reauthorization of the Higher Education Act, funding for these services comes primarily from federal sources, loan-processing-and-issuance, account-maintenance and default-aversion fees, retention on default collections, and reinsurance. Under the Higher Education Reconciliation Act of 2005, guarantors also are required to collect and deposit in their federal reserve funds a 1-percent federal default fee, which may be paid by from the guarantor's nonfederal resources, paid by the lender or assessed to the borrower. The 1998 reauthorization also permitted guarantors to enter into voluntary flexible agreements with the U.S. secretary of education to waive certain standard requirements involving the role of the guarantor.

Servicers

Loan servicers are companies that manage loans on behalf of guarantors, lenders and secondary markets.

Lender servicers administer loans on behalf of lenders. These services include the handling of paperwork and processing payments.Lenders remain the owner of the loans and ultimately responsible for the proper administration of the loans.

Secondary Markets

Secondary markets are entities that purchase loans from lenders.

- ❑ Receive interest and special allowance for the life of the loan.
  - ❍ Loan purchase generates funds to allow lender to make new education loans.
  - ❍ Ownership of the loan transfers from lenders to secondary markets.

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FFELP Parameters

Initially called the Guaranteed Student Loan program, the FFELP is an education-loan program through which commercial lenders provide loans to students and parents for educational expenses. FFELP is authorized by the HEA. The funds for these loans are provided by private lenders, such as banks, credit unions and savings and loan associations, and are guaranteed against default by student-loan guarantors, which in turn are reinsured by the federal government. FFELP loans include the Federal Stafford loan, the Federal PLUS loan and Federal Consolidation loans.

Stafford Loans

Federal Stafford loans are the most-common source of education-loan funds, and are available to both graduate and undergraduate students. There are two types, subsidized and unsubsidized.

Subsidized Stafford Loans

Subsidized loans are need-based. The federal government pays the interest on these loans while the student is in school and during the grace period before repayment begins.

- ❑ Eligibility is determined by the following calculation for the loan period being used:

  Cost Of Attendance
  – Estimated Family Contribution
  – Estimated Financial Aid
  = Subsidized loan amount

- ❑ Schools may indicate reduced eligibility based on professional judgment, loan-proration requirements or if the borrower has reached annual or aggregate loan maximums.
- ❑ If a student demonstrates less than $200 of financial need for a subsidized Federal Stafford loan, financial-aid administrators may decline to certify the subsidized portion of Stafford loan eligibility. In this situation, the unused subsidized eligibility may be added to that student's unsubsidized loan eligibility. The student's file should be documented when this option has been exercised.

Unsubsidized Stafford Loans

Unsubsidized loans are non-need-based. Borrowers are responsible for the interest on these loans as soon as the funds are disbursed. If the interest is left unpaid, it will be capitalized at the expiration of the grace period when the loan enters repayment, at the end of a deferment or forbearance, or if a borrower defaults.

- ❑ Unsubsidized-loan eligibility can replace the EFC and is not based on financial need.
- ❑ Interest begins accruing on the day the loan is disbursed.
- ❑ The borrower is responsible for interest that accrues throughout the life of the loan, including in-school and deferment periods.
- ❑ Interest payments can be paid monthly or quarterly, depending on the lender, or can be capitalized by the lender at the request of the borrower, and added to the loan principal.
- ❑ Repayment of principal begins six months after the student ceases to be enrolled at least half time.
- ❑ Eligibility is determined using the following equation:

COA
– Estimated Financial Aid
– Subsidized Stafford Loan
= Unsubsidized Amount.

Dependent undergraduate students whose parents are denied a Federal PLUS loan may be eligible to borrow additional unsubsidized Stafford loan funds of up to $4,000 for first- and second-year students and $5,000 for subsequent years.

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Student Eligibility for Stafford Loans

Students wishing to borrow under the FFELP must:

- ❑ Be U.S. citizens, U.S. nationals or eligible noncitizens.
- ❑ Be enrolled at least half time in an eligible degree-granting program of study.
- ❑ Demonstrate satisfactory academic progress.
- ❑ Not be in default on a Title-IV student loan.
- ❑ Not owe repayment of an educational grant due to a school or ED.
- ❑ Sign all certification statements.
- ❑ Register with Selective Service, if required.
- ❑ Apply for a Federal Pell Grant before receiving Federal Stafford loans – if the student is eligible.
- ❑ Demonstrate financial need (for a Subsidized Federal Stafford loan) as determined by the school.
- ❑ Provide their Social Security number.

Stafford-Loan Interest Rates

Stafford loans originated or disbursed on or after July 1, 2006, have a fixed interest rate of 6.8 percent during in-school, grace, deferment and repayment periods. The interest rates for Stafford loans disbursed from July 1, 1998 through June 30, 2006 is variable. The date of disbursement and loan status determined the interest rates prior to July 1, 2006. The following charts provide a history of interest rates based on disbursement date and loan status.

Historical Rates for Stafford Loans

Federal Stafford Loan first disbursed on or after July 1, 1994, but before July 1, 1995, regardless of previous loans (margin 3.10 percent, cap 8.25 percent, index 91-day T-bill).

From	To	Rate
July 1, 2003	June 30, 2004	4.22%
July 1, 2004	June 30, 2005	4.17%
July 1, 2005	**June 30, 2006**	**6.10%**

Federal Stafford Loans first disbursed on or after July 1, 1995, but before July 1, 1998, during in-school, grace and deferment status (margin 2.50 percent, cap 8.25 percent, index 91-day T-bill).

From	To	Rate
July 1, 2003	June 30, 2004	3.62%
July 1, 2004	June 30, 2005	3.57%
July 1, 2005	**June 30, 2006**	**5.50%**

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Federal Stafford loans first disbursed on or after July 1, 1995, but before July 1, 1998, during repayment and forbearance status (margin 3.10 percent, cap 8.25 percent, index 91-day T-bill).

From	To	Rate
July 1, 2003	June 30, 2004	4.22%
July 1, 2004	June 30, 2005	4.17%
July 1, 2005	**June 30, 2006**	**6.10%**

Federal Stafford loans first disbursed on or after July 1, 1998 but before June 30, 2006, during in-school, grace and deferment status (margin 1.70 percent, cap 8.25 percent, index 91-day T-bill).

From	To	Rate
July 1, 2003	June 30, 2004	2.82%
July 1, 2004	June 30, 2005	2.77%
July 1, 2005	**June 30, 2006**	**4.70%**

Federal Stafford loans first disbursed on or after July 1, 1998 but before June 30, 2006, during repayment and forbearance status (margin 2.30 percent, cap 8.25 percent, index 91-day T-bill).

From	To	Rate
July 1, 2003	June 30, 2004	3.42%
July 1, 2004	June 30, 2005	3.37%
July 1, 2005	**June 30, 2006**	**5.30%**

Stafford-Loan Guarantee and Origination Fees

The origination fee is paid to ED by the lender and the guarantee fee is paid by the lender to the guarantor. As a result, these fees may be charged to all Federal Stafford-loan and Federal PLUS-loan borrowers. The current guarantee fee is up to 1 percent of the principal loan amount. Both fees are deducted proportionately from each disbursement.

Provisions of the Deficit Reduction Act of 2005 will phase out Stafford origination fees in the FFELP by 2010. The federal origination fee is equal to 3 percent of the principal amount of the loan until June 30, 2006. Stafford origination fees drop to 2 percent on July 1, 2006; 1.5 percent on July 1, 2007; 1 percent on July 1, 2008; 0.5 percent on July 1, 2009; and 0 percent on July 1, 2010. The law requires the payment and the deposit into a guarantor's Federal Fund of a 1 percent federal default fee. The "fee shall be collected either by deduction from the proceeds of the loan or by payment from other non-federal sources," such as by the lender or guarantor.

Grace Period for Federal Stafford Loans

After students graduate, leave school or drop below half-time enrollment, they have six months before beginning repayment on Stafford loans. This period is called a grace period. During the grace period on a subsidized loan, borrowers are not required to make payments on the principal, and no interest accrues. During the grace period on an unsubsidized loan, borrowers are not required to make payments on the principal, but interest still accrues. Borrowers are entitled to one complete grace period. If the grace period is only partially used, the borrower is entitled to a full grace period later. For variable interest-rate loans and fixed-interest-rate loans made after July 1, 2006, the grace period is six months. For 7-percent loans, the grace period is nine months.

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Stafford-Loan Repayment Terms

Standard Repayment

Borrowers repaying their Stafford loans under the standard-repayment plan pay a fixed amount each month (at least $50) for up to 10 years, not including deferment and forbearance periods. The length of the repayment period depends on the borrower's total loan amount. For loans disbursed after July 1, 1993, repayment commences after the end of the grace period.

Graduated Repayment

Under the graduated-repayment plan, borrowers' payments are lower at first and then increase. An important feature of this plan is that no monthly payment will exceed more than 3 times any other monthly payment. Borrowers using this plan typically repay a greater amount of interest than they would have under the standard-repayment plan.

Income-Sensitive Repayment

Under this plan, a borrower's monthly payment is based on annual income and total loan amount. As a borrower's income rises or falls, so does the student-loan payment amount. Each payment must at least equal the interest accrued on the loan between scheduled payments. Borrowers must apply for this option each year.

Extended Repayment

This plan is available to borrowers who received their first loan on or after October 7, 1998, and who have outstanding FFELP loans totaling more than $30,000. Under this plan, payments can be fixed or graduated and spread over a period of up to 25 years.

Stafford-Loan Borrowing Limits

The amount of Stafford loans students can borrow depends on their grade levels in school and dependency status.

Annual Limits for Stafford Loans

Dependent Undergraduates	*Annual Subsidized Limits*	*Annual Limits prior to July 1, 2006 (subsidized and unsubsidized)*	*Annual Limits after July 1, 2007 (subsidized and unsubsidized)*
First Year	$2,625	$2,625*	$3,500
Second Year	$3,500	$3,500*	$4,500
Third and Subsequent Years	$5,500	$5,500*	$5,500
*May have additional unsubsidized loan eligibility if parents unable to borrow PLUS.			
Independent Undergraduates	*Annual Subsidized Limits*	*Annual Limits prior to July 1, 2006 (subsidized and unsubsidized)*	*Annual Limits after July 1, 2007 (subsidized and unsubsidized)*
First Year	$2,625	$6,625	$7,500
Second Year	$3,500	$7,500	$8,500
Third and Subsequent Years	$5,500	$10,500	$10,500
Graduate and Professional	*Annual Subsidized Limits*	*Annual Limits prior to July 1, 2006 (subsidized and unsubsidized)*	*Annual Limits after July 1, 2007 (subsidized and unsubsidized)*
All Years	$8,500	$18,500	$20,500

Aggregate Limits for Stafford Loans

	Aggregate Subsidized Limits	*Total Aggregate Limits (subsidized and unsubsidized)*
Dependent Undergraduate	$23,000	$23,000*
Independent Undergraduate	$23,000	$46,000
Graduate and Professional	$65,500**	$138,500**
Note: Some health-professions students may have higher limits. See Volume 3, Chapter 4 of the Federal Student Aid Handbook or 34 CFR 682.204.	***Includes undergraduate loans.*	**Increased to $46,000 if parents cannot borrow a PLUS loan.*

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notes

PLUS Loans

Creditworthy parents of dependent students and graduate/professional students can take out loans to bridge the gap between the costs of attendance and awarded financial aid. The Federal PLUS-loan program allows borrowing for any costs not already covered by awarded financial aid, up to the full cost of attendance.

Dependent undergraduates may be eligible to borrow additional funds through the unsubsidized Federal Stafford loan program if the parent is unable to obtain a PLUS loan because of exceptional circumstances or because the parent was denied a PLUS loan. Dependent students are eligible for unsubsidized funds up to the amount they would be eligible for if they were an independent student.

PLUS-Loan Eligibility

Borrower Eligibility

Borrowers must meet the following criteria to qualify for a PLUS loan:

- ❑ Parent-borrowers must be the natural or adoptive parent of the dependent student.
- ❑ Parent-borrowers must be the spouse of a parent that remarried, if the spouse's income and assets would have been taken into account when calculating the EFC.
- ❑ Be U.S. citizens, U.S. nationals or eligible noncitizens.
- ❑ Not be in default on a Title-IV educational loan.
- ❑ Not owe repayment of a Title-IV educational grant.
- ❑ Be a creditworthy borrower.

PLUS-Loan-Eligibility Formula

Cost of Attendance
- Other Financial Aid

= PLUS eligibility

Note: EFC is not considered in determining PLUS-loan eligibility.

Annual Loan Limits

Cost of attendance minus other aid. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance.

Aggregate Loan Limits

There is no aggregate loan limit for PLUS loans.

Federal Default and Origination Fees

A federal default fee of up to 1 percent and a 3-percent origination fee are deducted from PLUS-loan proceeds.

notes

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PLUS-loan Interest Rates

The PLUS-loan interest rate is fixed at 8.5 percent. The interest rate was variable at 6.1 percent for loans disbursed on or after July 1, 1998, through June 30, 2006.

Historical Rates for PLUS Loans

Federal PLUS loans first disbursed on or after July 1, 1987, but before October 1, 1992 and loans refinanced from a fixed rate to a variable rate (margin 3.25%, cap 12%, index one-year constant maturity treasury yield).

From	To	Rate
July 1, 2003	June 30, 2004	4.20%
July 1, 2004	June 30, 2005	5.41%
July 1, 2005	**June 30, 2006**	**6.65%**

PLUS loans first disbursed on or after October 1, 1992 but before July 1, 1994 (margin 3.10%, cap 10%, index one-year constant maturity treasury yield).

From	To	Rate
July 1, 2003	June 30, 2004	4.05%
July 1, 2004	June 30, 2005	5.26%
July 1, 2005	**June 30, 2006**	**6.50%**

Federal PLUS loans first disbursed on or after July 1, 1994, but before July 1, 1998 (margin 3.10%, cap 9%, index one-year constant maturity treasury yield).

From	To	Rate
July 1, 2003	June 30, 2004	4.05%
July 1, 2004	June 30, 2005	5.26%
July 1, 2005	**June 30, 2006**	**6.50%**

Federal PLUS loans first disbursed on or after July 1, 1998 (margin 3.10%, cap 9%, index 91-day T-bill).

From	To	Rate
July 1, 2003	June 30, 2004	4.22%
July 1, 2004	June 30, 2005	4.17%
July 1, 2005	**June 30, 2006**	**6.10%**

PLUS-Loan Repayment Terms

Repayment begins within 60 days after the last disbursement of the loan. Interest begins to accrue on the day of the first disbursement. The minimum payment for a PLUS loan is $50 per month. Borrowers have a minimum of five years to repay a PLUS loan and a maximum of 10 years, with no prepayment penalty. Extended-repayment terms are available for qualified borrowers, however.

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Stafford- and PLUS-Loan Proration

Loan proration must be performed if a student is enrolled in a program of study lasting less than one academic year. In addition, proration is necessary if the student is enrolled in a program equal to or longer than the statutory minimum for an academic year, but completing a remaining period of enrollment shorter than an academic year. This applies despite how long it takes the student to complete the remaining portion of the program.

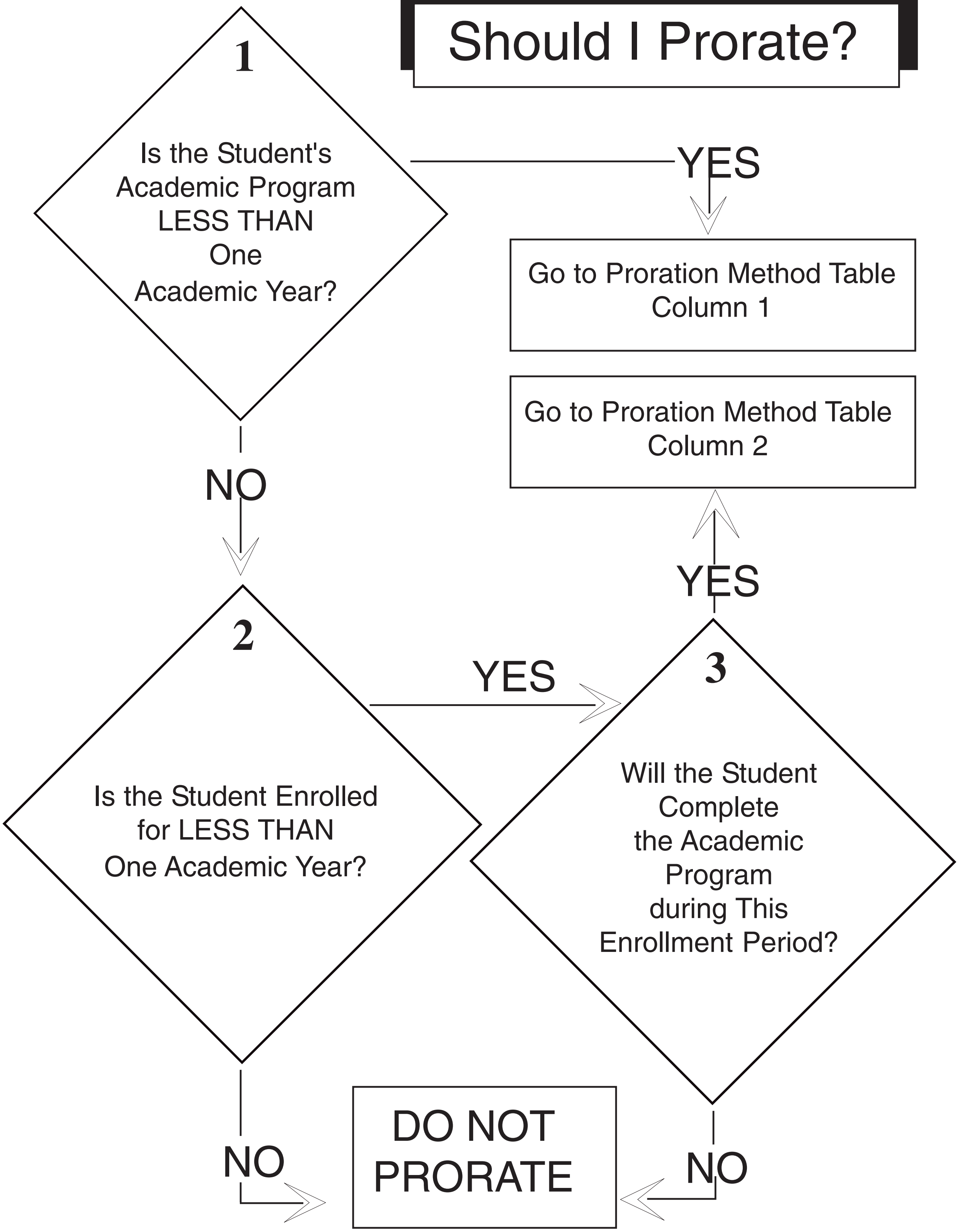
For a program of study that is less than a full academic year, the institution must use the lesser of the following and multiply that ratio by first-year subsidized Stafford-loan limits, and $4,000 for any additional unsubsidized Stafford loan.

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in an AY}}$$

OR

$$\frac{\text{Number of weeks in a program}}{\text{Number of weeks in an AY}}$$

Should I Prorate?



Proration Method Table

After you have used the flow chart on the other side of this page, use this table to determine the method of proration to use.

Loan Type	Annual Loan Limit	Column 1 Academic Program Less than 1 Academic Year	Column 2 All Other Academic Programs
First-Year Undergraduate			
Base Stafford Eligibility (subsidized & unsubsidized)	$2625	Proportional Proration Method 1	Proportional Proration Method 2
Additional Unsubsidized Stafford Eligibility	$4000	Proportional Proration Method 1	Proportional Proration Method 2
Second-Year Undergraduate			
Base Stafford Eligibility (subsidized & unsubsidized)	$3500		Proportional Proration Method 2
Additional Unsubsidized Stafford Eligibility	$4000		Proportional Proration Method 2
Third, Fourth & Fifth –Year Undergraduate			
Base Stafford Eligibility (subsidized & unsubsidized)	$5500		Proportional Proration Method 2
Additional Unsubsidized Stafford Eligibility	$5000		Proportional Proration Method 2

Proportional Proration Method 1

The institution must calculate two ratios (A and B):

Ratio A = $\dfrac{\text{Number of semester, trimester, quarter or clock hours enrolled}}{\text{Number of semester, trimester, quarter or clock hours in academic year}}$

Ratio B = $\dfrac{\text{Number of weeks in the students academic program}}{\text{Number of weeks in the Academic Year}}$

The institution must use the *lesser of* Ratio A and Ratio B in the following formulas.

Base Stafford Eligibility (subsidized and unsubsidized) x Lesser Ratio of A and B = Base Stafford Prorated Loan Limit

Additional Unsubsidized x Lesser Ratio of A and B = Additional Unsubsidized Stafford Prorated Loan Limit

Proportional Proration Method 2

The institution must use the following ratio:

Ratio A = $\dfrac{\text{Number of semester, trimester, quarter or clock hours enrolled}}{\text{Number of semester, trimester, quarter or clock hours in academic year}}$

Annual Loan Limit for Loan Type x Ratio A = Prorated Loan Limit for Loan Type

Proportional Proration

Proportional proration is defined by multiplying the student's annual loan amount by the ratio of the students program or the remainder of a students program as it relates to an academic year.

Example: Proportional Proration for a Credit-Hour School

24 credit hours = one academic year.

A senior at a four-year institution needs eight credit hours to receive his bachelor's degree in communication.

$$\frac{\text{8 attempted credit hours}}{\text{24 credit hours in AY}}$$

Proration Percentage
x Annual Loan Amount
Eligible Loan Amount

.33 x $5,500.00 = $1,815

notes

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Federal Stafford-loan Certification Case Study

Bob Thomas is in his third year of a four-year education program at your school. Bob has applied for financial aid and wants to be considered for any type of financial aid available, including student loans. Bob lives on campus. He has submitted an application for a subsidized Federal Stafford loan and unsubsidized Federal Stafford loan. Complete Bob's loan certification. Bob is a full-time, dependent student.

Information you will need to know.

- ❑ School Code: 003456.
- ❑ School Telephone Number: (405) 555-0002.
- ❑ Academic Year: Sept. 3 through May 16.
- ❑ On-Campus COA: $15,920.
- ❑ EFC: $1,750.
- ❑ Grade Level: 3.
- ❑ Recommended Disbursement Dates: Sept. 30 through Jan. 18.

Financial aid awarded:

- ❑ Pell Grant: $2,300.
- ❑ FSEOG : $1,000.
- ❑ Federal Work-Study : $1,500.
- ❑ State Grant: $1,000.
- ❑ Institutional Grant : $1,500.
- ❑ Local Scholarship: $3,000.

A. How much can Bob borrow through the subsidized Federal Stafford-loan program?

____

B. Through the unsubsidized Federal Stafford-loan program?

____

C. If Bob were to submit an Application for a Federal PLUS loan after receiving his Federal Stafford loans, how much could his parents borrow?

____

Federal Family Education Loan Program (FFELP)

Federal Stafford Loan School Certification

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.

Guarantor, Program, or Lender Identification

(Reserved for school, lender, or guarantor mailing address as appropriate)

1. School Code

2. School Information (Name, address, and phone number)

To be completed by a financial aid administrator or other school official authorized to certify financial aid forms.

3. Borrower's Last Name: **Thomas**	First Name: **Bob**	MI	4. Social Security Number: **007-99-1813**
5. Permanent Street Address: **1313 Mockingbird Lane**		6. Telephone Number: **(405) 555-5298**	7. Date of Birth (Month/Day/Year): **2/4/86**
City: **Wheatsheath**	State: **OK** Zip: **70707**	8. Borrower e-mail Address	
9. Lender Code/Name: **Second Bank and Trust** **800000**			
10. Grade Level	11. Enrollment Status (Check one) ❒ Full Time ❒ At Least Half Time	12. Anticipated (Completion) Graduation Date (Month/Day/Year)	
13. Loan Period (Month/Day/Year) From:	To:	14. Certified Loan Amounts a. Subsidized $ .00	b. Unsubsidized $ .00

15. Recommended Disbursement Date(s) (Month/Day/Year)

1st	2nd	3rd	4th	5th	6th

This space reserved for additional disbursement dates if needed.

School Certification

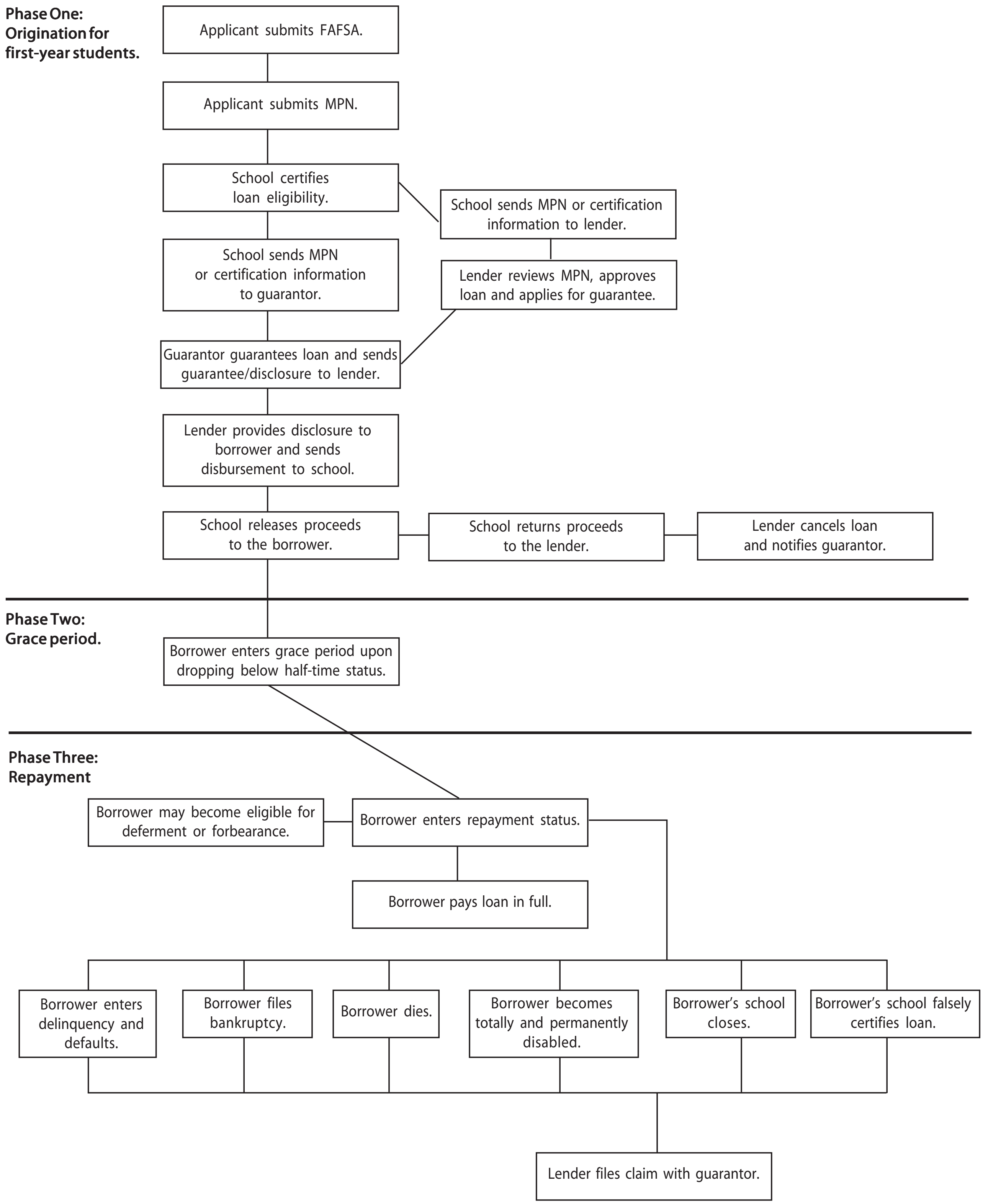
I hereby certify that the borrower named on this Certification is accepted for enrollment on at least a half-time basis and is making satisfactory progress in a program that is eligible for the loan type(s) certified. I certify that the student is an eligible borrower in accordance with the Higher Education Act of 1965, as amended, and applicable U.S. Department of Education regulations (collectively referred to as the Act). I further certify that the borrower's eligibility for a Pell Grant has been determined, that the borrower is not incarcerated, and that the borrower has been determined eligible for loan(s) in the amount(s) certified. I further certify that the disbursement schedule complies with the requirements of the Act and hereby authorize the guarantor and/or the lender to adjust disbursement dates if necessary to ensure compliance with the Act. I further certify that, based on records available and due inquiry, the borrower has met the requirements of the Selective Service Act and that the information provided in this Certification is true, complete, and accurate to the best of my knowledge and belief. I agree to provide the borrower **(i)** with confirmation of any transfer of funds through electronic funds transfer (EFT) or master check to the borrower's student account, and **(ii)** with an opportunity to cancel or reduce any disbursement of a loan.

16. Signature of Authorized School Official ______________________ 17. Date *(Month/Day/Year)* ______________

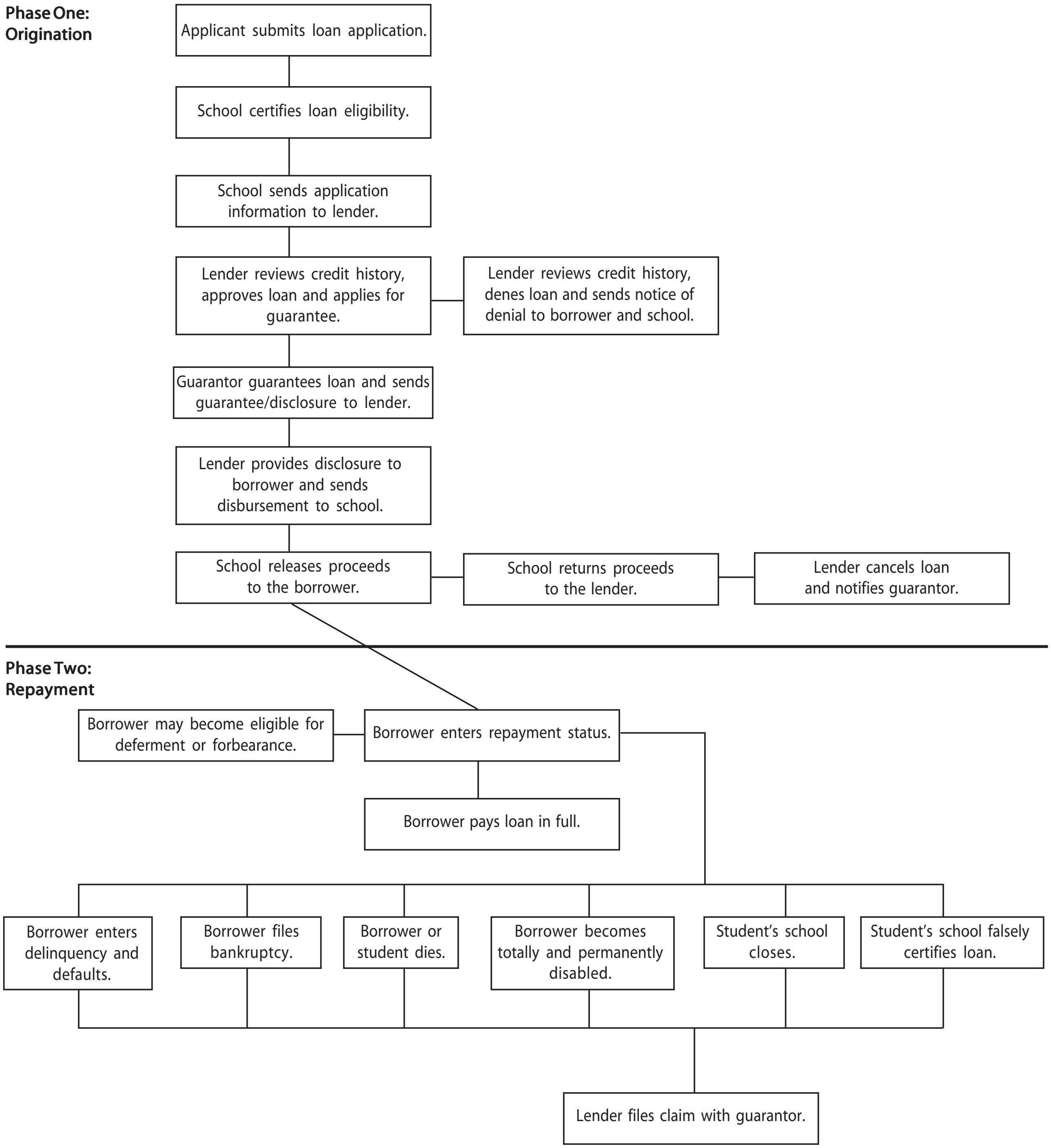
Name/Title *(Printed or Typed)* ______________________

Please refer to the instructions for completing this form.

Life of a Stafford Loan



Life of a PLUS loan



notes

Answers to Loan-Certification Case Study

A. Bob is eligible to borrow \$3,870 through the subsidized Federal Stafford-loan program.

B. Bob is eligible to borrow up to \$1,630 through the unsubsidized Federal Stafford-loan program.

	Cost of Attendance	\$15,920
–	Other Aid	– \$10,300
–	Subsidized Stafford loan	– \$ 3,870
=	Unsubsidized loan eligibility	\$ 1,750*

**Stafford loan annual limit for a third-year student is \$5,500. Bob borrowed \$3,870 through the subsidized Federal Stafford-loan program, thus he would only have remaining eligibility of \$1,630 through the unsubsidized Federal Stafford-loan program.*

Bob's parents would be eligible to borrow up to \$120 through the Federal PLUS-loan program.

	Cost of Attendance	\$15,920
–	Other Aid	– \$15,800
=	Federal PLUS eligibility	\$ 120

notes

Case Studies

What are the maximum loan amounts (subsidized and unsubsidized) that a dependent undergraduate student can receive in the following scenario?

- ❑ The student's cost of attendance is $16,500.
- ❑ EFC is $2,789.
- ❑ Grade level is 4.
- ❑ The student is not receiving any other aid and has already borrowed $21,000 in subsidized Stafford loan funds.

An undergraduate student with a consolidation loan in excess of $30,000 applied for a loan for the new academic year. How does the school determine whether the student has exceeded applicable aggregate loan limits?

notes

A student is registered for the fall semester. He borrows a full-year loan and then takes a leave of absence on December 1, after receiving the fall-semester disbursement. On December 1, because the student has already pre-registered for the spring semester and plans to return for the spring semester, he wants to keep the loan. Because the student already is pre-registered for the following semester, does the second disbursement need to be cancelled?

A fourth-year student is eligible for a $5,500 unsubsidized Stafford loan for the upcoming academic year. The student is requesting a total loan amount of $4,000, and wants the loan for the first term only. Assuming that the student's program of study is in a regular credit-hour program, and it is anticipated that the student will be enrolled for the full academic year, can this be done?

Case Study One

ANSWER: In this scenario, the maximum subsidized amount would be $2,000. Although the student's COA - EFC - other aid = $13,711, that amount is subject to the annual and aggregate maximums. In this case, the student has already borrowed $21,000 in subsidized Stafford-loan funds, so the eligibility is $23,000 - $21,000 = $2,000.

As a dependent, the student is not eligible for any unsubsidized funds unless the student's parent is unable to obtain a PLUS loan. If the parent is unable to obtain a PLUS loan in this instance, the student would be eligible for an additional $8,500 in unsubsidized funds (COA - other aid - sub = $14,500, subject to the annual maximum of $10,500 for grade level 4 of the combined subsidized and unsubsidized loans).

notes

notes

Case Study Two

ANSWER: If the student would otherwise be eligible for subsidized Stafford-loan funds, the financial-aid administrator should first assume the entire balance of the consolidation loan is made up of subsidized Stafford loans. If this assumption causes the student to exceed aggregate loan limits, the financial-aid administrator should obtain documentation regarding the consolidation loan's underlying loans. This information may be obtained from the student, the school's records of previous disbursements or the National Student Loan Data System. The school should follow the same process if the student is otherwise eligible for unsubsidized Stafford-loan funds. The school should retain records of the basis for its determinations.

Example: An undergraduate student applies for Stafford-loan funding and appears to be eligible for the maximum annual loan amount of $10,500, of which $5,500 may be subsidized. The student has a consolidation loan totaling $30,000. The school must assume first that the entire consolidation loan is made up of subsidized Stafford-loan funds. Because the aggregate limit for undergraduate subsidized funding is $23,000, the school must obtain documentation of the makeup of the consolidation loan. The school documents that the existing consolidation contains $17,125 in subsidized Stafford-loan funds. The school may then certify the student for $5,500 in subsidized Stafford-loan funds for the new academic year. The school will retain records of the underlying loans for the existing consolidation loan to substantiate its eligibility determination.

Case Study Three

ANSWER: The loan can be left as is. If, however, the leave of absence exceeds the length of the loan period certified on the application, the second disbursement should be canceled.

Case Study Four

ANSWER: Based on this information, you may not schedule the entire $4,000 loan for disbursement in the first term. Loan funds must be disbursed on a payment-period basis (see *Common Manual subsection 7.7.B.*). For an eligible program that offers academic terms in semesters, trimesters or quarters and measures progress in credit hours, the payment period is the semester, trimester or quarter. Loans also must be disbursed in two or more essentially equal installments (Common Manual subsection 8.7.B.). Based on the information provided and the assumptions noted above, the loan in question should be disbursed in two or more equal installments based on the payment periods applicable to the school's curriculum.

notes

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