





FFELP Basics

Mandy Spohholtz
USA Funds Services



Today's Agenda

- FFELP Players.
- Subsidized and Unsubsidized Stafford Loans.
- PLUS Loans.
- Consolidation Loans.
- Repayment Options.





FFELP Players



- Federal government.
- Schools.
- Guarantors.
- Lenders.
- Servicers.
- Secondary markets.
- Borrowers.





 **Trainer's Tidbit**




Today's Agenda


- FFELP Players.
- **Subsidized and Unsubsidized Stafford Loans.**
- PLUS Loans.
- Consolidation Loans.
- Repayment Options.





Stafford Loans

Borrower Eligibility Requirements
• U.S. citizen or eligible noncitizen.
• High school diploma, equivalent or ability-to-benefit.
• Valid Social Security Number.
• Enrolled at least half-time.
• Making satisfactory academic progress.
• Not in default or owe an overpayment.
• Registered with Selective Service.
• Not incarcerated.
• Not pled guilty or not contested, or convicted of a crime of Title IV fraud.
• Not convicted of certain drug offenses.



 **Trainer's Tidbit**





Stafford Loans

Subsidized

Cost of Attendance
- Expected Family Contribution
- Estimated Financial Aid
= Subsidized Stafford Eligibility

- Need-based.
- Government pays interest:
 - In school.
 - Grace period.
- Repayment begins:
 - After six-month grace period.
 - Immediately, if grace period expired previously.



 **Trainer's Tidbit**



Stafford Loans

Unsubsidized

Cost of Attendance

- Estimated Financial Assistance
- Subsidized Stafford Eligibility
- = Unsubsidized Stafford Eligibility



- Non-need-based.
- Borrower responsible for interest:
 - From disbursement.
 - Can pay or postpone.
- Minimum award amount is at lender's discretion.
- Repayment begins:
 - After six-month grace period
 - Immediately, if grace period expired previously.

ECASLA of 2008

Loan Limits



	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Preparatory Coursework for Enrollment in Undergraduate Programs		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$2,625	\$2,625
Additional Stafford loan unsubsidized eligibility	N/A	\$6,000
Annual Loan Limits	\$2,625	\$8,625

ECASLA of 2008

Loan Limits



	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
First-Year Undergraduate		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$3,500	\$3,500
Additional Stafford loan unsubsidized eligibility	\$2,000	\$6,000
Annual Loan Limits	\$5,500	\$9,500

ECASLA of 2008

Loan Limits



	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Second-Year Undergraduate		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$4,500	\$4,500
Additional Stafford loan unsubsidized eligibility	\$2,000	\$6,000
Annual Loan Limits	\$6,500	\$10,500

ECASLA of 2008

Loan Limits



	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Third-Year and Subsequent-Years Undergraduate		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$5,500	\$5,500
Additional Stafford loan unsubsidized eligibility	\$2,000	\$6,000
Annual Loan Limits	\$7,500	\$12,500

ECASLA of 2008

Loan Limits


	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Preparatory Coursework for Enrollment in Graduate/Professional Programs		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$5,500	\$5,500
Additional Stafford loan unsubsidized eligibility	N/A	\$7,000
Annual Loan Limits	\$5,500	\$12,500

ECASLA of 2008

Loan Limits


	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Teacher Certification		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$5,500	\$5,500
Additional Stafford loan unsubsidized eligibility	N/A	\$7,000
Annual Loan Limits	\$5,500	\$12,500



ECASLA of 2008

Loan Limits

	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Graduate and Professional Students		
Base Stafford loan eligibility (subsidized and unsubsidized)	N/A	\$8,500
Additional Stafford loan unsubsidized eligibility	N/A	\$12,000
Annual Loan Limits	N/A	\$20,500




ECASLA of 2008

Loan Limits

Aggregate Loan Limits	
Dependent Undergraduate Student	\$31,000 • No more than \$23,000 of which may be subsidized.
Independent Undergraduate Student or Dependent Student Whose Parent Is Ineligible for PLUS	\$57,500 • No more than \$23,000 of which may be subsidized.
Graduate/Professional Student*	\$138,500 • No more than \$65,500 of which may be subsidized.


*Higher limits may apply to certain health professions students.




Trainer's Tidbit

Example

Eligibility Calculations




- Kevin
 - Dependent student.
 - Fourth-year student for 2008-2009.
 - Enrolled full time.
 - EFC = \$5,000.
- Karen
 - Independent student.
 - First-year student for 2008-2009.
 - Enrolled full time.
 - EFC = \$7,000.



Example Answer

Eligibility Calculations


Stafford Loan Eligibility			
Kevin: Fourth-Year, Dependent Undergraduate			
Subsidized		Unsubsidized	
COA	\$15,000	COA	\$15,000
EFC	-\$5,000	Merit Aid	-\$2,000
Need	\$10,000	State Aid	-\$4,000
		Scholarship	-\$1,000
Merit Aid	-\$2,000	Subsidized Loan	-\$3,000
State Aid	-\$4,000	Unmet COA	\$5,000
Scholarship	-\$1,000		
Unmet Need	\$3,000		
Subsidized Loan	\$3,000	Unsubsidized Loan	\$4,500



Example Answer

Eligibility Calculations

Stafford Loan Eligibility			
Karen: First-Year, Independent Undergraduate			
Subsidized		Unsubsidized	
COA	\$15,000	COA	\$15,000
EFC	-\$7,000	Scholarship	-\$2,000
Need	\$8,000	Subsidized Loan	-\$3,500
		Unmet Need	\$9,500
Scholarship	-\$2,000		
Unmet Need	\$6,000		
Subsidized Loan	\$3,500	Unsubsidized Loan	\$6,000



Stafford Loans

Interest Rates - Fixed



Interest on Fixed-Rate Stafford Loans				
First Disbursement	Undergraduate Borrowers		Graduate Borrowers	
	Subsidized Stafford	Unsubsidized Stafford	Subsidized Stafford	Unsubsidized Stafford
7/1/2006-6/30/2008	6.8%	6.8%	6.8%	6.8%
7/1/2008-6/30/2009	6.0%	6.8%	6.8%	6.8%
7/1/2009-6/30/2010	5.6%	6.8%	6.8%	6.8%
7/1/2010-6/30/2011	4.5%	6.8%	6.8%	6.8%
7/1/2011-6/30/2012	3.4%	6.8%	6.8%	6.8%



Stafford Loans

Interest Rates - Variable



Interest on Variable-Rate Stafford Loans July 1, 2008 to June 30, 2009				
First Disbursement	In-School, Grace and Deferment Periods		Repayment	
	Subsidized Stafford	Unsubsidized Stafford	Subsidized Stafford	Unsubsidized Stafford
7/1/1998-6/30/2006	3.61%	3.61%	4.21%	4.21%
7/1/1995-6/30/1998	4.41%	4.41%	5.01%	5.01%
10/1/1992-6/30/1995	5.01%	5.01%	5.01%	5.01%



Case Study

Interest Rate Reduction



- Dependent student.
- In senior year for 2008-2009.
- Enrolled Sept. 1 - May 15 every year.
- Borrowed maximum loans each year (subsidized and unsubsidized Stafford).



Case Study Answer

Interest Rate Reduction



Academic Year	Stafford Loan Amounts		Interest Rates (prior to repayment)		Variable or Fixed?		Interest Rates (during repayment)	
	Sub	Unsub	Sub	Unsub	Sub	Unsub	Sub	Unsub
2005-2006	\$1,625	\$1,000	91-day T-Bill + 1.7%	91-day T-Bill + 1.7%	Var.	Var.	91-day T-Bill + 2.3%	91-day T-Bill + 2.3%
2006-2007	\$1,000	\$2,500	6.8%	6.8%	Fixed	Fixed	6.8%	6.8%
2007-2008	\$1,800	\$3,700	6.8%	6.8%	Fixed	Fixed	6.8%	6.8%
2008-2009	\$2,200	\$5,300	6.0%	6.8%	Fixed	Fixed	6.0%	6.8%

* Interest rate varies each year on July 1, not to exceed 8.25%



Stafford Loans

Fees



First Disbursement Made on or After July 1	Origination Fee	Federal Default Fee
2007	1.5%	1.0%
2008	1.0%	1.0%
2009	0.5%	1.0%
2010	0%	1.0%



Today's Agenda



- FFELP Players.
- Subsidized and Unsubsidized Stafford Loans.
- PLUS Loans.
- Consolidation Loans.
- Repayment Options.



PLUS Loans

Eligible Borrowers

Parents of Dependent Students

- Natural parent.
- Adoptive parent.
- Stepparent, if considered in EFC.

Graduate/Professional Students

- File FAFSA.
- Determine Stafford loan eligibility.
- Provide comparison of loan terms.

PLUS Loans

Borrower Eligibility Requirements

- U.S. citizen or eligible noncitizen.
- Valid Social Security Number.
- Not in default or owe an overpayment.
- Not pled guilty or not contested, or convicted of a crime of Title IV fraud.
- No adverse credit or apply using an endorser, if lender permits PLUS endorser.

Trainer's Tidbit

PLUS Loans

Eligibility

Cost of Attendance

- Estimated Financial Assistance
- Subsidized Stafford Eligibility
- Unsubsidized Stafford Eligibility

= PLUS Eligibility

- Non-need-based.
- No federal interest subsidy.
- Borrower responsible for interest:
 - From disbursement.
 - Can pay or postpone.

PLUS Loans

Repayment

- Repayment begins within 60 days of final disbursement, unless borrower requests deferment.
 - No grace period.
 - May delay repayment until six months after qualifying student is no longer enrolled at least half-time.
 - Interest may be paid or capitalized at repayment.

*Parent borrower may choose to make monthly or quarterly payments of interest, or request capitalization of accrued interest.

PLUS Loans

Loan Limits

- No annual limits.
- No aggregate limits.

PLUS Loans

Interest Rates

Disbursed	July 1, 2008 to June 30, 2009	Fixed or Variable Rate
On or After 7/1/06	8.50%	Fixed
7/1/98 – 6/30/06	5.01%	Variable, capped at 9.0%
7/1/94 – 6/30/98	5.67%	Variable, capped at 9.0%
10/1/92 – 6/30/94	5.67%	Variable, capped at 10.0%
Prior to 9/30/92	5.82%	Variable, capped at 12.0%

PLUS Loans

Fees



First Disbursement Made on or After July 1	Origination Fee	Federal Default Fee
2008	3.0%	1.0%

- Origination fee:
 - Collected by lender to pay to ED.
 - Cannot be paid by lender on borrower's behalf.
- Federal default fee:
 - Guarantor deposits into reserve fund.
 - Lender or guarantor may pay on borrower's behalf from nonfederal sources.



Today's Agenda



- FFELP Play ers.
- Subsidized and Unsubsidized Stafford Loans.
- PLUS Loans.
- **Consolidation Loans.**
- Repayment Options.



Consolidation Loans

Eligible Loans



- FFELP and Direct.
 - Subsidized and Unsubsidized loans.
 - PLUS loans.
 - Consolidation loans.
- Federal Perkins loans.
- Federal Nursing Student Loans.
- Health Professions Student Loans.
- Health Education Assistance Loans.
- Federal Supplemental Loans for Students.



Consolidation Loans

Eligibility



Determined by status of qualifying loan.

Student Borrowers	Parent Borrowers
• Grace period.	• Fully disbursed.
• Repayment.	• Repayment.
• Deferment.	• Deferment.
• Forbearance.	• Forbearance.
• Default.*	• Default.*

* At lender's discretion.



Consolidation Loans

Eligibility



- No minimum.
- No maximum.

Lenders may set minimum consolidation amount.



Consolidation Loans

Interest Rate



How to Calculate a Weighted Average		
Consolidation \$30,000 4.70%	Stafford \$18,500 6.80%	Grad PLUS \$13,000 8.50%
	Perkins \$4,000 5.00%	
		$30,000 \times .047 = \$1,410$ $18,500 \times .068 = \$1,258$ $13,000 \times .085 = \$1,105$ $4,000 \times .050 = \$200$ \$65,500 \$3,973
		$\$3,973 + \$65,500 = 0.061$
		*6.1% rounded up to the nearest one-eighth of 1% = 6.125%



Consolidation Loans

Fees



- No application fees.
- No origination fees.
- No repayment penalties.



Today's Agenda



- FFELP Players.
- Subsidized and Unsubsidized Stafford Loans.
- PLUS Loans.
- Consolidation Loans.
- Repayment Options.



Repayment Options



- Standard.
- Graduated.
- Income-sensitive.
- Extended.



Trainer's Tidbit

USA Funds® is the nation's leading education-loan guarantor. A nonprofit corporation, USA Funds works to enhance postsecondary education preparedness, access and success by providing and supporting financial and other valued services.

