

Frequently Asked Questions about Loans

- Q1. What is the difference between subsidized & unsubsidized loans?**
A1. Subsidized Stafford Loans are based on financial need. The government will pay the interest to the lender on this loan while you are in school at least part-time, as well as during a six-month grace and any deferment periods. Unsubsidized Stafford Loans are a non-need based form of aid. Although the interest rate on these loans is set by the federal government, therefore keeping it low, borrowers are responsible for all interest accrued on the loan. Interest payments can be deferred until graduation and will then be capitalized and added to the principal of the loan or you can make payments on interest while in school.
- Q2. What is interest capitalization?**
A2. Interest capitalization is the addition of unpaid interest to the principal balance of your unsubsidized loan. When interest is capitalized your total debt and monthly payments increase.
- Q3. What happens after I submit my completed loan application to the financial aid office?**
A3. The financial Aid Office will send your application to the lender of your choice. The lender will then obtain a guarantee on your loan from a guarantee agency.
- Q4. What is a guarantee agency?**
A4. This agency insures loans in the event of default, death or disability. They also keep track of your loan throughout its lifetime.
- Q5. Will I be required to pay any fees for my loan?**
A5. Two fees will be deducted from the loan before you receive the proceeds - a guarantee fee and an origination fee. The guarantee fee (1%) is paid to the guarantee agency to insure the loan to the lender. The origination fee (3%) is paid to the federal government to partially offset the interest cost on the loan. For example, if you are eligible for a \$5,000 loan, \$200 in fees will be deducted and you actually receive \$4,800.
- Q6. What is the interest rate on my loans?**
A6. The interest rate for Subsidized and Unsubsidized Stafford loans is a variable rate that can change annually. The current cap is 8.25% during repayment.
- Q7. How will I know if my loan has been guaranteed by the guarantee agency and approved by the lender?**
A7. You will receive a disclosure statement from your lender notifying you of your loan amount, fees and loan disbursement date.

Q8. When will I receive the money from my loan?

A8. The disbursement dates on your disclosure statement indicate the dates your lender will send funds to your school. Allow 7 to 10 working days for the financial aid office to receive and process your funds. Your loan funds will be disbursed in two separate installments.

Q9. What is an entrance counseling session?

A9. All first-time borrowers are required to complete an entrance counseling session prior to receiving their loan funds. During this session, you will be informed about your borrower rights and responsibilities.

Q10. When will my funds be applied to my account?

A10. If you are a first-time borrower, your funds will be disbursed to your account approximately 30 days after your loan has been processed. Loans will be disbursed in two installments for all borrowers. The first installment can not be disbursed more than 10 days before the first day of class for each semester and the second disbursement will be released at the mid-point of the loan period.

Q11. When will I repay this loan?

A11. Repayment of your loan begins six months:

- after you graduate
- withdraw from school
- or drop below half-time status.

Q12. What is an incentive repayment plan?

Most lenders offer an incentive plan for borrowers who make timely payments (i.e. interest rate and/or fee reductions for borrowers who make 48 consecutive on-time payments). Check with your lender for available options.

Q13. What is a Servicer?

A13. A servicer manages loans on behalf of the lender or secondary market. Servicers handle all loan correspondence including address updates, payments, deferments, and forbearances.

Q14. What is a secondary market?

A secondary market is an institution that purchases loans from originating lenders.