

# FEDERAL FAMILY EDUCATION LOAN PROGRAMS

2009-2010

Federal Subsidized Stafford Loan

Federal Unsubsidized Stafford Loan

Federal Parent Loan for Undergraduate Students (PLUS)



**HARVEY MUDD**  
C O L L E G E

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## FEDERAL FAMILY EDUCATION LOAN PROGRAMS

Welcome to the Federal Family Education Loan Programs (FFELP) at Harvey Mudd College. The HMC Office of Financial Aid realizes that financing a college education is an important concern for students and their families. Financing higher education often involves deferring some of the costs under a low-interest loan program. Your investment in a Harvey Mudd College education may require some informed financial decisions about federal loans, and the Office of Financial Aid is committed to assisting you with a complete understanding of your federal loan eligibility.

This brochure is designed to assist you in understanding the federal loan programs available to you and the loan application process at Harvey Mudd College. You may have already been awarded one such award as a part of your financial aid award. If you wish to accept the loan(s) offered to you, or if you are interested in additional loan assistance, read through this information carefully and follow the instructions outlined in this brochure. Contact the Office of Financial Aid if you have any questions regarding any loan program.

The Federal Family Education Loan Programs (FFELP) result from a combination of efforts between the federal government, agencies that guarantee federal loans, banks and lending institutions that provide the capital for the loans, colleges and universities that determine your eligibility and certify your loans, and you—the students and parents who borrow the loans. Understanding the proper role of each participant will assist in your understanding of the loan programs and processes.

Since the FFELP loans are federal loans, the terms of the loans will be identical regardless of the lender you choose. The bank or lending institution you choose as your lender must be eligible to participate in the FFEL programs. However, for assistance refer to our Lender Reference List on our website at [www.hmc.edu/admission1/costsandaid1/typesofaid1/educationalloans1/lenderreference.html](http://www.hmc.edu/admission1/costsandaid1/typesofaid1/educationalloans1/lenderreference.html). *Our Lender Reference List is a recommendation and you are not required to select a lender from our list. You can choose to use any FFEL Program lender of your choice.* In many cases, the lender will sell a loan to a secondary market after it has been disbursed or have a loan serviced by a separate servicing agency. Should this happen, you will be notified by the lender.

### *Federal Subsidized Stafford Loan*

The **Federal Subsidized Stafford Loan** is available for students who demonstrate financial need. The interest rate is fixed at 5.6 percent for a loan first disbursed between July 1, 2009 and June 30, 2010. The federal government pays the interest rate on a subsidized loan to the bank or lending institution while the borrower is enrolled at least half-time. The interest rate is also paid during a one-time-only, six-month grace period before repayment, and during any in-school deferment periods. Repayment begins and the borrower assumes responsibility for the interest at the end of the six-month grace period (the first six months of non-enrollment or less than half-time enrollment). The minimum monthly repayment amount is \$50, but can be more depending on the cumulative amount borrowed under the Federal Stafford Loan program. Please refer to the sample repayment chart in this brochure.

### *Federal Unsubsidized Stafford Loan*

The **Federal Unsubsidized Stafford Loan** is available to students who do not qualify, in whole or in part, for Federal Subsidized Stafford Loan funds. The interest rate is fixed at 6.8 percent for a loan first disbursed between July 1, 2009 and June 30, 2010. The federal government **does not** pay the interest on the borrower's behalf at any time. The borrower is responsible for all interest that accrues on an unsubsidized loan during periods of enrollment, during the six-month grace period, and during any periods of deferment or repayment. While in school, you can choose to either pay the interest or add any deferred interest to the principal balance of the loan (capitalization). When interest is capitalized, the principal balance will be increased by the amount

of unpaid interest. Federal loan amounts and repayment terms are the same as the Federal Subsidized Stafford Loan.

### **Federal Parent Loan for Undergraduate Students (PLUS)**

The Federal Parent Loan for Undergraduate Students (PLUS) is an alternative for creditworthy parents of dependent undergraduate students who wish to finance all or part of their family's contribution. There is also a PLUS Loan available for graduate and professional students. The PLUS program is designed to provide a low-interest loan alternative to paying for college costs in the nine-month academic year. PLUS Loans are available annually. Creditworthy parents can borrow up to the difference between the Cost of Education for one year and the amount of any financial aid the student is eligible to receive. There is no grace period for a PLUS Loan. Interest begins to accrue immediately after the first disbursement of the PLUS Loan and repayment of both principal and interest begins within 60 days after the final disbursement of the loan. The interest rate is fixed at 8.5 percent.

If a parent's PLUS Loan application is denied due to unsatisfactory credit, the student is automatically eligible for an additional Federal Unsubsidized Stafford Loan. First- and second-year students are eligible for an additional \$6,000 and third- and fourth-year students are eligible for an additional \$7,000 if the PLUS is denied. This unsubsidized loan amount is in addition to the loan limits for the Federal Subsidized and Unsubsidized Stafford Loan programs listed below.

If your parent is interested in the PLUS program, pre-approval and application are available online through the lender's website.

## ANNUAL LOAN LIMITS

Under the Federal Stafford (Subsidized and Unsubsidized) Loan Program, the maximum amounts students may borrow per year are as follows:

	Base Amount	Additional Unsubsidized	
	<i>All Students</i>	<i>Dependent Students (EXCEPT students whose parents are denied a PLUS)</i>	<i>Independent Students and Dependent Students whose parents are denied a PLUS</i>
Freshman (first year)	\$ 3,500	\$ 2,000	\$ 6,000
Sophomore (second year)	\$ 4,500	\$ 2,000	\$ 6,000
Junior (third year)	\$ 5,500	\$ 2,000	\$ 7,000
Senior (fourth year)	\$ 5,500	\$ 2,000	\$ 7,000

Aggregate Stafford Loan Limits for Dependent Undergraduate Subsidized Stafford Loan is \$23,000 and maximum Subsidized and Unsubsidized Stafford Loan is \$31,000.

## LOAN PROCESSING FEES

Beginning July 1, 2009, Federal Stafford Loans are subject to a 0.50 percent origination fee and a federal default fee of up to 1 percent. Federal PLUS Loans are subject to a 3 percent origination fee and a federal default fee of up to 1 percent. These fees are paid to the federal government and to the guarantee agency, respectively, to offset administrative costs and to guarantee loans. **Both loan processing fees will be deducted from your loan proceeds prior to disbursement, and you are responsible for the repayment of all such fees.**

## LOAN DISBURSEMENT

Harvey Mudd College receives most federal loan funds electronically. Electronic Funds Transfer (EFT) allows for your loan funds to be conveniently wired from your lender and electronically credited to your student account. This not only eliminates the need for you to sign any paper loan checks, it also expedites the availability of your funds. Normally, loan funds are disbursed in two equal installments, one each semester for an academic year.

If your lender does not disburse your loan funds via EFT, you will be notified by email when your paper check(s) arrive and informed of the appropriate procedures to credit your student account. Any loan checks not endorsed within **30 calendar days** must be returned to your lender.

## THE LOAN APPLICATION PROCESS

### **Entrance Counseling**

If you are a first-time Federal Stafford Loan borrower, federal regulations require you to complete entrance counseling at or prior to receiving your first loan disbursement. The purpose of entrance counseling is for you to receive information concerning terms and conditions of the loan and to help you understand your rights and responsibilities as a borrower so that you can properly manage your future indebtedness. You will be required to complete online the Entrance Counseling session before completing the Master Promissory Note (MPN).

Harvey Mudd College electronically certifies most loan applications. This electronic process eliminates the more time consuming procedure of manually certifying applications and results in a simplified, more efficient application process.

However, if the lender chosen does not participate in electronic certification, the loan will be manually certified. Manual certification requires more time and delays the availability of loan funds.

Furthermore, the application process at Harvey Mudd College is as follows:

### Applying for a Stafford Loan

To apply for your first Federal Stafford Loan at Harvey Mudd College, you must complete a Federal Stafford Loan Entrance Counseling at the following link

<https://staffordloanguide.usafunds.org/login.aspx?schoolid=00117100> and submit a completed Master Promissory Note (MPN) before funds can be credited to your student account.

*Note: If you have submitted a MPN in a prior year while at HMC, you do not need to submit another MPN loan application.*

- When you log on for the first time to the Entrance Counseling, you will need to create a user ID and password. You will use this ID and password every time you log on, so please keep it in a safe place.
- The Office of Financial Aid will receive confirmation that the Entrance Counseling Session has been completed electronically.
- From the Entrance Counseling Complete Page, select the "Log Out and Return to School Web Site" link. You will be directed to our Lender Reference List. *Our Lender Reference List is a recommendation and you are not required to select a lender from our list. You can choose to use any FFEL Program lender of your choice.*
- Select the lender of your choice and continue with the online application process to complete the Federal Stafford Loan Master Promissory Note (MPN) through the lender's website.
- Loan information is electronically transmitted to your lender.

After you complete your MPN online, you will not need to submit another application for additional Federal Stafford Loans that you borrow while attending Harvey Mudd College **unless you change your lender or you have not received a loan disbursement within a year.** You will be able to decline subsequent Federal Stafford Loan offers via your signed Financial Aid Award Letter or by email using your HMC email address to [financial\\_aid@hmc.edu](mailto:financial_aid@hmc.edu). Subsequent loan offers will be processed using the same MPN that you signed in the prior year. This process eliminates the need for you to complete a new loan application and promissory note each year that you are enrolled.



### Applying for a Federal PLUS Loan

To apply for a Federal Parent Loan for Undergraduate Students (PLUS), as a first-time borrower, your parent borrower must complete the Federal PLUS Loan Application, PLUS Master Promissory Note, and PLUS pre-approval through the lender's website. The Parent Property Lien Statement and Parent Authorization of Allowable Charges forms must be downloaded from our website at

[www.hmc.edu/admission1/costsandaid1/downloadableforms1/formsforparents.html](http://www.hmc.edu/admission1/costsandaid1/downloadableforms1/formsforparents.html), completed, and faxed, mailed, or emailed to the Office of Financial Aid.

*Note: If your parent has applied for the PLUS loan in a prior year while at HMC, he or she will need to submit another PLUS pre-approval and Parent Property Lien Statement.*

- Select a PLUS lender of his or her choice by going through the lender's website or from our Lender Reference List on our website at [www.hmc.edu/admission1/costsandaid1/typesofaid1/educationalloans1/lenderreference.html](http://www.hmc.edu/admission1/costsandaid1/typesofaid1/educationalloans1/lenderreference.html). *Our Lender Reference List is a recommendation and he or she is not required to select a lender from our list. Your parent can choose to use any FFEL Program lender of their choice.*
- When your parent borrower logs on for the first time through the lender's website, he or she will need to create a user ID and password. Your parent borrower will use this ID and password every time he or she logs on, so it must be kept in a safe place.
- As a first-time borrower, your parent borrower must complete the PLUS Loan pre-approval online through the lender's website. Then, he or she will automatically be directed to complete the Federal PLUS Loan Application and MPN using the electronic signature feature.
- The Office of Financial Aid will electronically receive confirmation that the MPN has been completed.
- Loan information is electronically transmitted to your parent borrower's lender by the Office of Financial Aid.

Subsequent PLUS Loans will be processed using the same PLUS MPN that your parent borrower signs this year. As a repeat borrower, your parent will only need to complete a PLUS Loan pre-approval online through the lender's website. The Parent Property Lien Statement also must be completed each year to apply for a PLUS Loan. This process eliminates the need for your parent to complete a new loan application and promissory note each year that you are enrolled. Your parent borrower will request or modify subsequent Federal PLUS Loans via your signed Financial Aid Award Letter.

If the lender chosen does not participate in electronic certification, the loan will be manually certified. Manual certification requires more time and delays the availability of loan funds.

## SELECTING A LENDER

Selecting a lender is an important decision—one that will affect you for the life of your loan. If you have no prior Federal Stafford or PLUS Loans, refer to our Lender Reference List on our website at [www.hmc.edu/admission1/costsandaid1/typesofaid1/educationalloans1/lenderreference.html](http://www.hmc.edu/admission1/costsandaid1/typesofaid1/educationalloans1/lenderreference.html).

Although we provide you with a list, you are not limited to these lenders. *Our Lender Reference List is a recommendation and you are not required to select a lender from our list. You can choose to use any FFEL Program lender of your choice.* You, as the borrower, have the final decision from which lender you would like to borrow. If you have previously borrowed a Federal Stafford or PLUS Loan, we highly recommend that you remain with the same lender (even if it is not on our Lender Reference List). This will prevent you from making payments to multiple lenders in the future.

Many lenders participate in the federal loan process. However, we look for these exceptional qualities of the lenders on our Lender Reference List:

- The highest quality of customer service to borrowers;
- Advantageous repayment options that allow for interest-rate reductions for on-time payments or other timely repayment rewards;
- Processing capabilities which expedite the application process and the receipt of funds; and
- Immediate resolution of any processing problems at any time.

If you selected a lender who is not on our Lender Reference List, please contact that lender to send the pre-approval to the Office of Financial Aid in order for us to process your loan in a timely manner.

## FEDERAL STAFFORD AND PLUS LOAN REPAYMENT CHART

Repayment of principal on the Federal (Subsidized and Unsubsidized) Stafford Loan begins six months after graduation or less than half-time enrollment. Repayment of principal and interest on the PLUS Loan begins within 60 days after the final disbursement of your loan. The following chart may be used as a guide to estimate monthly payments for a standard 10-year repayment plan.

Loan Amount	5.6%		6.8%		8.5%	
	Monthly Payment	Total Interest	Monthly Payment	Total Interest	Monthly Payment	Total Interest
\$ 3,500	\$ 50 <sup>†</sup>	748	\$ 50 <sup>†</sup>	\$ 971	\$ 50 <sup>†</sup>	\$ 1,351
4,500	50 <sup>†</sup>	1,350	52 <sup>†</sup>	1,714	56 <sup>†</sup>	2,195
5,000	55	1,522	58	1,905	62	2,439
5,500	60	1,694	63	2,096	68	2,683
6,125	67	1,879	70	2,333	76	2,988
7,000	76	2,158	81	2,667	87	3,415
8,000	87	2,466	92	3,048	99	3,903
9,000	98	2,774	104	3,429	112	4,390
10,000	109	3,083	115	3,810	124	4,878
11,625	127	3,573	134	4,429	144	5,671
13,000	142	3,997	150	4,953	161	6,342
15,000	164	4,605	173	5,714	186	7,317
17,125	187	5,267	197	6,524	212	8,354
20,000	218	6,166	230	7,619	248	9,757
30,000	327	9,248	345	11,429	372	14,635

Total interest is over the life of the loan. Note: This chart does not include capitalization of interest.

<sup>†</sup> Minimum payment of \$50 will decrease repayment term.

# WORKSHEET TO DETERMINE YOUR MAXIMUM PLUS LOAN ELIGIBILITY

This worksheet will help you calculate the cost of attending Harvey Mudd College during the 2009-2010 academic year, and the amount you may want to borrow in a Federal PLUS Loan.

STEP 1	ESTIMATED COST OF EDUCATION (Direct and indirect charges):		Example	Your Worksheet
	Tuition and Fees	+	\$ 38,467	\$
	Room & Board (16 meals Plan)	+	\$ 12,570	\$
	Books & Supplies	+	\$ 800	\$
	Transportation	+	\$ 600	\$
	Personal Expenses	+	\$ 900	\$
	<b>TOTAL COST OF EDUCATION</b>	=	<b>\$ 53,337</b>	\$
STEP 2	FINANCIAL AID AWARDS (Refer to your <i>Financial Aid Award Letter</i> ):			
	Grants: Federal Pell, Federal SEOG, Cal Grant	+	\$ 6,000	\$
	Scholarships: HMC Scholarships, Outside Scholarships, etc.	+	\$12,000	\$
	Federal Work-Study Award	+	\$ 2,225	\$
	Stafford, Federal Perkins, College/Other Loans	+	\$ 3,500	\$
	<b>TOTAL FINANCIAL AID AWARDS</b>	=	<b>\$ 23,725</b>	\$
STEP 3	THE CALCULATION			
	The Cost of Education at HMC (from Step 1)		\$ 53,337	\$
	Total Financial Aid Awards (from Step 2)	-	\$ 23,725	\$
	Amount you expect to contribute to applicant's education	-	\$10,000	\$
	<b>Subtotal of first three lines (maximum PLUS)</b>	=	<b>\$ 19,612</b>	\$
	PLUS Loan fees (4%)	+	\$ 784	\$
	<b>TOTAL FEDERAL PLUS LOAN Amount you may want to borrow*</b>	=	<b>\$ 20,396</b>	\$

❖ If you wish to borrow this amount, the online application and pre-approval for the PLUS Loan can be found by going through your own lender's website. You may borrow any amount up to your maximum eligibility, including the amount you expect to contribute.