Inter American University of Puerto Rico
Vice President for Management, Finance and Systemic Services
Institutional Financial Aid Office

2013-2014

Counseling Information for the Federal Direct Loan Program

IMPORTANT:

This counseling option is required for graduate and distance education students.

To receive loans it is required to complete this counseling session.

Before completing your direct student loan application, make sure that you have completed the FAFSA application for the corresponding academic year.*

Introduction:

One of the main functions of the Financial Aid Office is to orientate the students in the financial aspect of their education. In order to achieve this goal, we have prepared this orientation for the students who are requesting loans. This orientation is going to help you understand the obligations and responsibilities that you acquire when you accept and receive a loan.

The topics that will be discussed are:

- [ ] Seek other alternatives to finance your studies
- [ ] Prepare a budget of how much you really need
- [ ] Obligations and responsibilities
- [ ] Updating of information
- [ ] Repayment plans
- [ ] Consolidation and loan forgiveness programs
- [ ] Deferments and forbearances
- [ ] Consequences of not paying your loans
- [ ] Federal Regulation Changes
- [ ] Glossary

Seeking other alternatives to finance your studies

The Department of Education states that it is the primary responsibility of the students and their parents to pay for the post-secondary education. Therefore, it is necessary to explore other sources of aid:

- The first alternative should be applying for federal, state, institutional, and private grants and scholarships.
- Also, look for donations

For more information about grants and scholarships, you should visit the following websites:

- www.inter.edu
- www.fastweb.com
- www.google.com
  - *Scholarships*
  - *Grants*

Remember that these are FREE sources of aid.

- The second alternative should be:
  - For you and your parents to use any savings that you may have, and
  - We also suggest that you look for a job even if it is only part-time.

- If after exploring all of these alternatives, you still need to cover other educational expenses, then you should consider student loans. Loans should be your last option, since these are funds that you have to repay with interest.

Loan Options

Under the William D. Ford Federal Direct Loan Program, you have the following loan options:

The Direct PLUS Loan for Parents (PLUS)

- This type of loan is available for parents of dependent students.
- It is based on the parent's credit history, and it has an actual approved fixed interest rate of **6.41%** and a **4.204%** origination fee.

The Direct Stafford Subsidized Loan

- It has a 3.86% interest rate and a 1.051% origination fee.
- Due to the new regulations, since July 1st, 2012 this type of loan:
  - Will be available for undergraduate students ONLY;
  - The federal government will not be subsidizing the interest during grace periods.

The Direct Stafford Unsubsidized Loan (Undergraduate Students)

- It has a 3.86% interest rate, and a **1.051%** origination fee.
- The interest on this type of loan accrues, in other words accumulates, from the time the loan is disbursed.
- You can choose to pay the interest while you are in school and during race, deferment or forbearance periods, or you can allow it to accrue interest that will be capitalized. This means that the interests will be added to the principal amount of your loan. If you choose not to pay the interest as it accrues, this will increase the total amount you have to repay because you will be charged interest on a higher principal amount.

The Direct Stafford Unsubsidized Loan (Graduate Students)

- It has a 3.86% interest rate, and a **1.051%** origination fee.
- The interest on this type of loan accrues, in other words accumulates, from the time the loan is disbursed.
- You can choose to pay the interest while you are in school and during race, deferment or forbearance periods, or you can allow it to accrue interest that will be capitalized. This means that the interests will be added to the principal amount of your loan. If you choose not to pay the interest as it accrues, this will increase the total amount you have to repay because you will be charged interest on a higher principal amount.

The **Direct Plus Loan for Graduates(Grad Plus)**

- This loan, like the PLUS Parent loan, has a **6.41%** interest rate and **4.204%** origination fee.
- The interest starts accumulating from the moment the loan is disbursed.
- The Grad PLUS loan does not have a grace period, therefore the repayment will start immediately after you graduate, stop attending school, or you enroll in less than half-time.

Note: *Based on the new federal regulations, graduate students will ONLY be eligible to apply for the last two loan options mentioned above:*

Unsubsidized and Graduate PLUS loans.

- If you are interested in a loan, we advise you to be wise and only request the amount you really need. Remember, loans are a source of aid that must be repaid with interest.

Obligations and responsibilities

At the time you accept a loan, you must sign a Master Promissory Note (MPN). The MPN is a legal document in which you promise to repay your loan and any accrued interest and fees to the Department of Federal Education. It also explains the terms and conditions of your loan. You must repay your loans even if you:

- Do not finish school
- Do not have a job.
- Your income is not enough.
- Enrolled in less than half time.
- Do not receive any repayment notices.

In addition, you commit to contact your loan servicer and notify them if:

- You graduated
- Withdrew from school
- Enrolled at another college or university.
- Changed your name, address or phone number.

Students applying for a student loan for the first time must complete an Entrance Interview and the Master Promissory Note (MPN). You can complete both forms by visiting the following Web page:

https://studentloans.gov

Remember: After you graduate, leave school, or drop below half-time enrollment, you have a six months grace period before you have to begin repayment. Due to the new regulations, during this period, the federal government will not be subsidizing the interests.

Repayment plans

When it is time to start repaying your student loan(s), you can select a repayment plan that is right for your financial situation. Some of these options are:

Standard Repayment Plan

With the standard plan, you will pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least $50, and you will have up to 10 years to repay your loans.

Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For that reason, having a 10-year limit on repayment, you will pay less interest.

Extended Repayment Plan

Under the extended plan, you will pay a fixed or gradual annual repayment amount over a period not to exceed 25 years. Your fixed monthly payment is lower than it would be under the Standard Plan, but you will pay more for your loan because of the interest that accumulates during the longer repayment period.

This is a good plan if you need to make smaller monthly payments. Because the repayment period will be 25 years, your monthly payments will be less than with the standard plan. However, you may pay more in interest because you're taking longer to repay the loans. Remember that the longer your loans are in repayment, the more interest you will pay. You must have a loan pending balance exceeding $30,000.

Gradual Repayment Plan

With this plan, your payments start out low and increase every two years. The length of your repayment period will be up to ten years. If you expect your income to increase steadily over time, this plan may be right for you. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

Income Based Repayment Plan (IBR) Effective July 1, 2009

Is a new repayment plan for the major types of federal loans made to students. Under IBR, the required monthly payment is capped at an amount that is intended to be affordable based on income and family size. You are eligible for IBR if the monthly repayment amount under IBR will be less than the monthly amount calculated under a 10-year standard repayment plan. If you repay under the IBR plan for 25 years and meet other requirements, you may have any remaining balance of your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments through IBR, the remaining balance after ten years in a public service job could be cancelled.

Income Contingent Repayment Plan (ICR) (Direct Loans Only)

This plan gives you the flexibility to meet your Direct Loans[SM] obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans.

The maximum repayment period is 25 years. If you have not fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged.

Income-Sensitive Repayment Plan (FFEL[SM] Loans only)

With an income-sensitive plan, your monthly loan payment is based on your annual income. As your income increases or decreases, so do your payments. The maximum repayment period is 10 years. Ask your lender for more information on FFEL Income- Sensitive Repayment Plans.

Income Based Plan

The Income Based Plan helps maintain your student loan payments accessible, and generally has the lowest monthly payments of all payment plans based on your income. If you need to make lower monthly payments, this may be the right plan for you. As of December 21, 2012 the Income Based Plan is available to authorized borrowers.

Pay according to what you earn: With the Income Based Plan your monthly payment will be 10% of your discretionary income, it will never be higher than the amount you must pay with the 10 year Basic Payment Plan, if could even be lower than other payment plans.

If you have problems to pay, it is IMPORTANT to contact the Institution(s) that handle your loan accounts. Visit www.nslds.edu.gov to obtain information about your loan history, amounts, dates, types of loans and loan server. To access this website, you must have a PIN (Personal Identification Number). This number is assigned by the Federal Government to sign the FAFSA.

Student Consolidation loan forgiveness programs

A Direct Consolidation Loan allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple payments.

By consolidating your loans, you can reduce your monthly payments, and the repayment of your loan could be extended for 30 years.

To obtain a full list of loans that can be consolidated, please contact the loan servicer.

Important: Please analyze the advantages and disadvantages, before you decide to consolidate all of your loans. You can do so by contacting the Direct Consolidation Department directly by phone at 1-800-557-7392 or by visiting the web page: www.loanconsolidation.ed.gov.

In 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after:

- You make 120 on-time, full, scheduled, monthly payments on your Direct Loans. Only payments made after October 1, 2007 qualify.
- Make those payments under a qualifying repayment plan,
- and very important when you make each of those payments, you must be working full-time at a qualifying public service organization.

For more information about the loan forgiveness program, please visit: **www.studentaid.ed gov**. If you believe that you meet the requirements, please contact your loan servicer.

If you have trouble making your education loan payments, contact the agency that services your loan immediately. You might qualify for a deferment, forbearance, or other form of payment relief. It is important to take action before you are charged late fees. Your servicer will work with you to determine the best option for you. You can find your federal loan's history, amounts, dates, type of loans, and all the information related to your loan servicer and guarantor by visiting www.nslds.ed.gov.

To visit this website and to get detailed information about your loans, you must have your PIN number. This is the number assigned by the federal government to sign your FAFSA form electronically.

Deferments and forbearances

Your loan servicer could grant you a deferment or forbearance. This is a period in which your payments are temporarily suspended. You must continue to make your payments until your deferment or forbearance is approved.

The most common conditions to request a deferment or forbearance are :

- Enrolled in less than half-time
- Unemployment
- Economic Hardship
- Military service
- Medical condition

Consequences of not paying your loans

Finally, we want you to know the consequences of not paying your loans. It is very important for you not to ignore this debt.

f you default, it means you failed to make payments on your student loan according to the terms of your promissory note, the binding legal document you signed at the time you took out your loan. In other words, you failed to make your loan payments as scheduled. Therefore, your school, the financial institution that made or owns your loan, your loan guarantor, and the federal government all can take action to recover the money you owe. Here are some of the consequences of default:

- National credit bureaus can be notified of your default, which will harm your credit rating, making it hard for you to buy a car or a house.
- You will also be ineligible for additional federal student aid if you decide to return to school.
- The loan payments can be deducted from your paycheck.
- Any state and federal income tax refunds can be withheld and applied toward the amount you owe.
- You will have to pay late fees and collection costs on top of what you already owe.
- You can be sued.
- Your wages could be withheld.
- You can be rejected for jobs.
- It could affect future availability of financial aid for other students

Please avoid these consequences. If you do not make any payments during a 270 days time frame, the U.S. Department of Education will report your loan in Default. Do not allow this to happen to you.

Federal Regulaton Changes (effective date: July 1, 2013)

Subsidized Loans: For undergraduate students that apply for a loan for the first time or have fully paid previous loans.

Undergraduate students are eligible to receive subsidized loans from the federal goverment ut to 150% duration of the study program as published. For this purpose, the time duration of the study program will be measured in years.

Duration of the Program		Maximun Period of Eligibility
5 years (Bachelor's Degree)*	X 1.5	7.50 years
4 years (Bachelor's Degree)	X 1.5	6.00 years
2 years (Bachelor's Degree)	X 1.5	3.00 years
1 years (Certificate Program)	X 1.5	1.50 years

* Applies to students of Engineering and Aviation

Example A:

A new borrower receives 2 years of subsidized loans while was enrolled in a 2 year program and transfers to a 4 year program. The borrower has a remaining elegibility of 4 years.

Example B:

A new borrower receives 3 years of subsidized loans while was enrolled in a 4 year program and transfers to a 2 year program. The borrower has a remaining elegibility of 0 years.

GLOSSARY

Accrue When interest on your loan adds to the amount you owe. The phrase "interest accruing on your loan" means that the amount of interest due on your loan is accumulating.

Capitalization Adding unpaid interest to the loan amount borrowed.

Consolidation The process of combining one or more eligible federal education loans into a single new loan.

Credit A summary of a person's financial strength, including his or her history of paying bills, routinely used to assess a person's ability to repay future loans. Students often are turned down for private loans because they have not established a credit history and have no income with which to repay debts. People who pay their bills after the due date, have defaulted on debts, or declared bankruptcy are usually judged to have poor credit. Several private companies gather consumers' financial information to create reports used by businesses and lenders to determine how much to lend and how much interest to charge each consumer. Federal law requires credit rating agencies to provide consumers with one free report regarding their credit each year.

Credit Bureau Organization that tracks and reports the manner in which borrowers repay their loans (not only student loans).

Default Failure to repay a loan according to the terms of the promissory note. There can be serious legal consequences for student-loan defaulters.

Deferment A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue for subsidized loans.

Delinquent Your loan payments are not received by the due dates. If your accounts have become delinquent and you are unable to make payments consider deferment, forbearance, or switching repayment plans. Accounts remain delinquent until borrowers bring their accounts current with payments, deferment, or forbearance.

Direct Consolidation Loan Federal program that allows you to combine one or more federal student loans into one new Direct Consolidation Loan. Only one monthly payment is made to the U.S. Department of Education. In certain circumstances, students who have loans under the Federal Family Education Loan Program (FFEL) may consolidate them into Direct Loans.

Direct PLUS Loan Unsubsidized loans available to parents of dependent students, and to students enrolled in graduate or professional programs. These loans are available regardless of financial need and the amount of eligibility depends on the total cost of education.

Direct Subsidized Loan Also known as the Federal Direct Subsidized Stafford Loan. A loan from the U.S. Department of Education made on the basis of the student's financial need and other specific eligibility requirements. The federal government does not charge interest on these loans while borrowers are enrolled at least half-time, during a six-month grace period, or during authorized periods of deferment.

Direct Unsubsidized Loan Also known as the Federal Direct Unsubsidized Stafford Loan. A federally financed student loan made to students meeting specific eligibility requirements. Interest is charged throughout the life of the loan. The borrower may 38 choose to pay the interest charged on the loan during in-school, grace, deferment, and forbearance periods, or allow the interest to be capitalized (added to the loan principal).

Disbursement Payment of loan proceeds to the borrower by the school. During. consolidation, this term refers to sending payoffs to the loan holders of the underlying loans being consolidated.

Due Date (Payment Due Date) Date during the month when payment of your current due amount must be received. If you have any past due amounts or fees or outstanding charges, these are due immediately. Monthly payments must be received by the payment due date. Therefore, if you do not have your payments debited electronically from a bank account, you may want to mail your payments well in advance to ensure they arrive and are applied to your account(s) by the due date(s).

Entrance Counseling An information session which takes place before the loan is disbursed and is required for first-time borrowers. The session explains your responsibilities and rights as a student borrower.

Exit Counseling Borrower receives a notice about exit counseling when borrower graduates or attends school less than half-time. At this session, the borrower will be given information on your loans and when repayment begins.

Forbearance A period during which your monthly loan payments are temporarily suspended or reduced. You may qualify for forbearance if you are unable to make loan payments due to certain types of financial hardships.

Grace Period A six-month period that begins on the day after you, the Stafford Loan Program borrower, cease to be enrolled as at least a half-time student at an eligible institution and ends on the day before the repayment period begins.

Interest A loan expense charged by the lender and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the unpaid principal amount (loan amount), which includes the original amount borrowed and any capitalized interest (unpaid interest added to the principal loan amount). Accrued interest is interest that accumulates on the unpaid principal balance of the loan.

Interest Rate The current rate at which interest is calculated on your loan(s).

GLOSSARY

Lender The organization that made the loan initially. The lender could be the borrower's school (for Federal Perkins Loans); a bank, credit union, or other lending institution; or the U.S. Department of Education.

Loan Money borrowed from a lending institution or the U.S. Department of Education that must be repaid.

Loan Fee A fee payable by the borrower that is deducted proportionately from each loan disbursement.

Loan Servicer An organization that administers and collects education loans payments on behalf of the lender.

National Student Loan Data System (NSLDS) A centralized database that stores information on all Department loans and grants. NSLDS also contains borrowers' school enrollment information. Borrowers can access this information online using their Department of Education PIN at **www.nslds.ed.gov**.

Past Due The amount that you were scheduled to pay in previous month(s) but did not. The past due amount is also called the delinquent amount. Your account is considered "delinquent" if you have missed any monthly payments. Past Due amounts are due immediately.

Prepayment The amount in excess of the amount due on a loan. If borrowers have more than one federal student loan, they must specify which loan they are prepaying. Like all other federal student loan payments, a prepayment will first be applied to any outstanding fees and charges, next to outstanding interest, and then to the principal balance of the loan(s). There is never a penalty for prepaying principal or interest on federal student loans.

Promissory Note A binding legal document you sign when you get a student loan. It contains the loan terms and conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include deferment and cancellation provisions available to the borrower. It's very important to read and save this document because you'll need to refer to it later when you begin repaying your loan or at other times when you need information about provisions of the loan, such as deferments or forbearances.

Refund The total amount of funds returned to the loan program as unused for the student's education expenses.

Rehabilitation The process of bringing a loan out of default and removing the default notation on a borrower's credit report. To rehabilitate a Direct or an FFEL Loan, you must make at least nine full payments of an agreed amount within 20 days of their monthly due dates over a 10-month period to the U.S. Department of Education. To rehabilitate a Perkins Loan, you must make nine, on-time, monthly payments of an agreed amount to the Department. Rehabilitation terms and conditions vary for other loan types and can be obtained from the loan servicer.

Repayment Incentive A benefit that the U.S. Department of Education offers borrowers to encourage them to repay their loans on time. Under a repayment incentive program, the interest rate charged on borrowers' loans might be reduced. Some repayment incentive programs require borrowers to make a certain number of payments on time to keep the benefits of the repayment incentive.

Repayment Plan An agreed schedule between a borrower and a lender on repayment of a loan. Changing repayment plans is a good way to manage your loan debt when your financial circumstances change to a less favorable status. For example, you can usually lower your monthly payment by changing to another repayment plan that has a longer term in which to repay the loan. There are no penalties for changing repayment plans.

Repayment Schedule A statement provided by the loan servicer to the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

Repayment Term The number of months it will take to repay your federal student loans under a specific repayment plan.

Total Amount Repaid The total amount you would be expected to pay over the life of the loan, including principal and interest.

Now, for your loan to be disbursed into your account, you should complete the following forms and return them to your Campus Financial Aid Office:

•Orientation Attendance Certification (next page)

•Contact Information

You must send a copy of a utility bill (water, electricity or phone) to validate your address and one of your references' address.

http://documentos.inter.edu/docs/index.php

You can send these documents to your Campus address through electronic or air mail.

Students who receive a Direct Stafford Loan for the first time, must complete the following process:

- An Entrance Interview and a Master Promissory Note (MPN) at:

  https://studentloans.gov

- Accept your loans by visiting the following website:

  http://documentos.inter.edu/docs/index.php?article=85

Inter American University of Puerto Rico
Vice President for Management, Finance and Systemic Services
Institutional Financial Aid Office

Academic year 2013-2014

Loan counseling certification

I, hereby certify I have read the Federal Direct Loan information and understand my responsibilities in accepting student loans.

Full name:

Student ID

Loan type

○ Subsidized — Amount Requested

○ Unsubsidized loans — Amount Requested

○ PLUS loan — Amount Requested

○ Grad Plus — Amount Requested

Term: ○ Bimester ○ Semester ○ Trimester ○ Other

email ____

Signature

Date/Time Field

Note: Upon receipt of this certification, we will evaluate your request. Return these documents to your Campus Financial Aid Office.

Please refer to the following Campus' Directory, if you want to mail or email these documents.

Aguadilla Gloria Cortés, Director P.O. Box 20000 Aguadilla, PR 00605-2000 edsoto@aguadilla.inter.edu	**Arecibo** Ramón de Jesús, Director P.O. Box 144050 Arecibo, PR 00614-4050 asist_econ@arecibo.inter.edu
Barranquitas Eduardo Fontánez, Director P.O. Box 517 Barranquitas, PR 00794-0517 aaponte@br.inter.edu	**Bayamón** Héctor Vargas, Sub director Bo. Cerro Gordo 500 Carretera 830 Bayamón, PR 00957-6257 hvargas@bayamon.inter.edu
Fajardo Marilyn Martínez, Director P.O. Box 70003 Fajardo, PR 00738-7003 ivonne.velez@fajardo.inter.edu	**Guayama** José A. Vechini, Director P.O. Box 10004 Guayama, PR 00785-4004 satorres@inter.edu
Metro Luis E. Ruiz P.O. Box 191293 San Juan, PR 00919-1293 oficina.asistencia.economica@metro.inter.edu	**Ponce** Debra M. Martínez, Director 104 Parque Industrial Turpó, RDI Mercedita, PR 00715-1602 economica@ponce.inter.edu
San Germán María I. Lugo, Director P.O. Box 5100 San Germán, PR 00683-9801 asistenciaeconomica@sg.inter.edu	**Facultad de Derecho** Ricardo Crespo, Director P.O. Box 70351 San Juan, PR 00936-8351 mmaldonado@juris.inter.edu
Escuela de Optometría Lourdes Nieves, Director P.O. Box 191049 San Juan, PR 00919-1049 lmnieves@inter.edu	