

Penn State Great Valley
INFORMATION ABOUT FEDERAL GRADUATE STAFFORD LOANS 2006-07

GREAT VALLEY STUDENTS

The Federal Stafford Loan is the most common source of financial aid for Penn State Great Valley graduate students. Unfortunately, there are no federal or Commonwealth of Pennsylvania (PHEAA) grants at the graduate level. Pell, SEOG and State grants are all for undergraduates.

YOUR PSU EMAIL ADDRESS

- This is where Financial Aid and all other PSU offices will contact you! Please read regularly.
- Forward PSU email to your business/personal email address go to: www.work.psu.edu
- View your PSU email on the web: <http://webmail.psu.edu>

ELIGIBILITY

- U.S. citizens and permanent residents are eligible for federal student loans.
- Students *may not be in default* on a previous student loan.
- Male students must be registered with the Selective Service. Drug conviction restrictions exist. Naturalized citizens or permanent residents please contact PSGV Financial Aid for supplemental information.
- Students must be formally accepted to a master's degree or Special Education Instructional I program. *Graduate certificate or certification programs are not eligible for Stafford Loans at Penn State.*

REQUIRED ENROLLMENT FOR STAFFORD LOANS

- **You must be a HALF-TIME (5+ CREDITS EACH SEMESTER: Sessions I & II combined) to RECEIVE and RETAIN a Stafford Loan.**
- Semester System: PSGV has three 14-week semesters: Fall, Spring, Summer. (There are two 7-week Sessions in each semester.)
- Course selection: Most students take 6 credits per semester - one course in Session I and one course in Session II, but a student may select any combination of 7-week and/or 14-week classes and may take more than 6 credits.
- Registration: Schedule both Session I & Session II classes as soon as registration opens for the semester.
- Changing courses: Add/drop classes on the same day. Do not drop any classes after they have begun meeting.
- **If you drop below 5 credits after classes have started:**
 - *THE LOAN IS AUTOMATICALLY CANCELLED.*
 - *IF THE LOAN HAD BEEN SENT TO PSU IT WILL BE RETURNED TO THE LENDER IN ITS ENTIRETY, AND THE STUDENT WILL OWE PSU FOR TUITION/FEE AND ANY REFUND THAT HAS BEEN MADE.*
 - *ALSO, ELIGIBILITY TO BORROW IN SUCCESSIVE SEMESTERS WILL BE UNLIKELY. (See Academic Progress below.)*

ACADEMIC PROGRESS: A Stafford Loan Requirement

“Satisfactory Academic Progress” (SAP) for Federal Stafford Loans require that the borrower:

- **COMPLETE ALL COURSES AFTER THEY HAVE BEGUN MEETING**
 - To remain in good standing and to continue to receive Federal Stafford Loans.
 - “Completed” courses means: no withdrawn grades (W), no deferred grades (DF) no “no grades” (NG) no failures (F) and the course has not been dropped after the class started meeting.
 - **Do not drop any classes after they have begun.**
 - SAP relates to borrowing and is different from work toward graduation requirements.
- **NUMBER OF SEMESTERS ALLOWED:**
 - Masters students (& Spld Instructional I students) have 12 semesters as half-time students (or 6 semesters as full-time students) to borrow to complete their degree. Non-degree courses do count in the number of allowable borrowing semesters.

ACADEMIC PROGRESS (CONTINUED)

“Unsatisfactory Academic Progress”

- Whenever a student has not “completed” courses that were attempted or gone beyond the allowable semester maximum then the student is in unsatisfactory academic progress and is **NOT ELIGIBLE FOR STAFFORD LOANS.**
 - RESTORE LOAN: To be removed from unsatisfactory standing, the student must “complete” 9 more consecutive credits without a withdrawal, failure, incomplete grade or drop. NO FEDERAL LOANS CAN BE PROVIDED DURING THIS PERIOD.
 - ACADEMIC PROGRESS APPEAL: Upon completion of the 9 credits, the student will file an Academic Progress Appeal Form that is available in the Great Valley Financial Aid Office.
 - In some situations, students who have lost eligibility for student aid may submit a written appeal.
 - IF YOU ARE HAVING PROBLEMS SEE THE FINANCIAL AID OFFICE BEFORE DROPPING ANY CLASSES.

HOW FINANCIAL NEED IS DETERMINED

- A federal formula is calculated based on your FAFSA 2006-07 information. This “need analysis” uses 2005 income, current assets, independent status, etc. It determines the “expected family contribution” and is compared to the school costs to determine your “financial need.”
- Subsidized or unsubsidized loans (or both) are awarded on the basis of the “need figure.”
- The subsidized Stafford loan is always given first to a student if s/he is eligible.
- High income does not disqualify one from borrowing but may mean only unsubsidized loans are awarded.
- PLEASE REMEMBER THAT “FINANCIAL NEED” IS DEFINED USING FEDERAL DEFINITIONS NOT PERSONAL ONES.

MAXIMUM FINANCIAL AID – Each Semester: “Cost of Attendance” (COA)

- The COA is determined by Penn State. The COA includes: cost of tuition, fees, books, modest living expenses & miscellaneous needs for a semester.
- The COA figure is the **maximum** amount a student may receive from all types of financial aid (scholarships, grants, assistantship, work study, VA ed benefits and loans combined) for each semester.
- **If your only source of financial aid is student loans: the loans cannot exceed the COA for each semester.**

MAXIMUM STUDENT LOAN AVAILABLE – Each Academic Year (FA/SP/SU combined)

\$18,500 Graduate Stafford/Extended Unsub. loan available for an academic year (FA06/SP07/SU07) See below*

- For example: in FA05 and SP06 a PA resident Master’s student with a 6 credit/semester load had a COA of \$8639 each semester and borrowed the maximum, that is, \$17278 total. Because loans were borrowed at the maximum amount for FA05 & SP06 only \$1222 was available to borrow for SU 2006 even though the COA for SU was a higher amount. ($\$18500 - \$17278 = \$1222$)
- If you borrow the maximum for FA and SP you will not have enough Stafford to pay for 6 cr tuition/fee for SU. You will need to save FA and SP refunds to cover SU if you will enroll in 6 credits in SU or borrow from the new Graduate Plus Loan for Summer.
- New loan eligibility begins each fall for the next academic year (for example, FA07/SP08/SU08 combined).
- Special Education Instructional 1 students have availability of \$10,500 maximum for the academic yr. See below.

NEW FOR 2006-07: GRADUATE PLUS LOAN

- A new supplemental loan will be available for students who have exhausted their academic year Stafford eligibility. Grad Plus will be a *credit-worthy* loan, backed by the federal government and will have an interest rate of 8.5%. It is only to be borrowed by students who have completed the FAFSA 2006-07 and borrowed \$18,500 Stafford.
- Information will be available in FA06.

LOAN TYPES

SUBSIDIZED (GSL) loan interest is paid by the federal government until the loan goes into repayment (repaying both principal and interest). Principal payments are deferred until you stop enrolling in 5+ credits/semester (half-time) course loads. Subsidized loan is awarded based on high financial need as determined by the FAFSA 2006-07.

UNSUBSIDIZED (GSLNS) Principal payments are deferred until you stop enrolling in 5+ credits/semester (half-time). However, the interest on unsubsidized loans must be paid (quarterly) by the student while attending PSU, or it is "capitalized" (added to the principal and compounded) until you start repaying the loan (both principal and interest).

SUBSIDIZED AND UNSUBSIDIZED LOANS (CONTINUED)

***\$8500 Federal Stafford Loan (subsidized or unsubsidized): Graduate students borrow from this source first during an academic year.**

- \$8500 maximum for the academic year during FA/SP/SU semesters combined (but no more than \$4250/semester of subsidized Stafford).
- Special Education Instructional I students may borrow up to \$5,500 subsidized Stafford during FA/SP/SU combined (but no more than \$2750/semester). These students are considered fifth year undergraduates for Federal Stafford loan purposes.
- The Federal Stafford loan can be awarded as either subsidized or unsubsidized or a combination of both.
- Examples of Stafford subsidized and unsubsidized eligibility:
 - A Great Valley graduate student who starts attending in fall and who has total need will be able to borrow \$8500 in Federal Stafford *subsidized* loans for FA/SP (half in fall and half in spring). A student with no need will be able to receive \$8500 in *unsubsidized* loans. A third student whose need is in-between will receive a total of \$8500 from a *combination* of subsidized and unsubsidized loans. Summer loans would automatically be Extended Unsubsidized loans.
 - A student who begins attending in Spring will be eligible for \$4250 in Stafford loans (subsidized, unsubsidized or combination) for SP and up to \$4250 in Stafford loans for SU (subsidized, unsubsidized or combination).

***\$10,000 Extended Unsubsidized Graduate Loan: available to graduate students as a supplemental amount**

- Extended Unsubsidized loans are available for the balance of the Cost of Attendance over and above Federal Stafford funds if more money is needed to cover tuition, fees and living costs.
 - \$10,000 maximum for the academic year during FA/SP/SU semesters combined. It is an unsubsidized loan.
 - Special Education Instructional I students may borrow up to \$5000 more in Extended Unsubsidized Loans during FA/SP/SU combined.

INTEREST FOR 2006-07

Interest is no longer variable as it was in previous years. **The Deficit Reduction Act passed by Congress changed the Federal Stafford to a FIXED INTEREST LOAN beginning July 1, 2006.**

- Graduate borrowers having unsubsidized loans will either pay interest quarterly or capitalize the interest from the time that a loan is disbursed. See below.*
- Interest for 2006-07 Stafford
 - unsubsidized: 6.86% in-school, grace and deferment periods
 - unsubsidized: 6.86% when the loan goes into repayment
 - subsidized: 0% in-school, grace and deferment periods
 - subsidized: 6.86% when the loan goes into repayment
- Stafford loans borrowed before July 1, 2006 will have an increase in the interest percentage of previously borrowed Stafford loans. The Dept. of Ed. will be notifying lenders of these rates by July 2006. PSU will provide information as it becomes available.

***UNSUBSIDIZED INTEREST PAYMENTS**

- PSU recommends that, if possible, students make interest payments on any unsubsidized Stafford loans rather than capitalize the interest while attending school, during the grace period or while in deferment. Making interest payments in lieu of capitalizing, over the long term, can result in considerable savings. See <http://www.psu.edu/studentaid/aidprog/stafford.html> (click on repayment comparison)

LENDER

KeystoneBest is the PSU preferred lender. No fees are charged by KeystoneBest for 2006-07. (Stafford interest rates are the same for all lenders.)

LOAN REPAYMENT

Grace Period

- There is a one-time, 6-month grace period where no principal payments are required after which repayment of the principal and interest starts.
 - For subsidized loans, no interest is paid by the borrower during the grace period. (It is paid by the federal government.)
 - For unsubsidized loans, interest can be paid by the borrower or capitalized during the grace period.
- You will be contacted during your grace period by the servicer of the loan to choose a payment plan.

- There are various repayment options. The most common is ten years with equal payments.
- Pre-payment of the principal can be made without penalty at any time.

LOAN REPAYMENT (CONTINUED)

When does repayment begin?

The first semester a borrower is NOT enrolled in 5+ credits/semester (half-time):

the grace period will start retroactively at the end of the most recent semester that the student had attended half-time.

- Example:
 - A student enrolled in FA05 for 6 credits (half-time). In SP06, the same student registered for 3 credits (less than half-time). The student's grace period began on the date classes ended in FA05, that is, December 05).
- Exception: Attendance in Summer is not assumed by the federal loan regulations. Therefore, for a student who borrows in SP06 and does not attend SU06 (but returns the following FA06 taking 5+ credits) the grace period will not begin. (But if that student takes only 3 cr in FA06, the grace period will start retroactively at the end of SP06. Notification occurs after FA06 classes start when Fall enrollment data is available to the loan servicer.)

You will start your grace period if you:

- Drop to 3 credits for a semester
- Do not register for classes
- Graduate

Retroactive start date for grace period:

The grace period start date is set retroactively when a student does not register for a semester or enrolls in fewer than 5 credits. Servicers use school enrollment reports to update their loan records, and these reports are certified by schools at the beginning of the semester after classes start. Less than half-time status triggers the grace period (federal regulation). Be sure to schedule both Session I & Session II classes when registration opens.

Servicer: This is the organization to which you will repay your loan. The Servicer for KeystoneBest loans is American Education Services (AES) in Harrisburg. AES will contact you during the grace period about payment options that are available. Repayment AES phone: 800-233-0557. Deferment and forbearance information is available on the AES website: www.aesSuccess.org

ALTERNATIVE EDUCATIONAL LOANS

If you are attending as a non-degree student, graduate certificate student, are a non-U.S. citizen or a master's student enrolled in 1-4 credits and need funds for tuition and fees, an alternative education loan may be possible during 2006-07. This is a credit-worthy loan and is based on enrollment. Fees are higher than the Stafford Loan. Deferment may or may not be available.

Three new Alternative Educational Loans will be available through the PSU website starting Fall 2006. (Other lenders can also be used including Citiassist.) Information will be available in July 2006 at the Office of Student Aid website: www.psu.edu/studentaid/aidprog/alternative.html

See the PSGV Financial Aid Office for the Alternative Education Loan packet.

DEFERMENT OF UNDERGRADUATE LOANS

A handout is available in the PSGV Financial Aid Office about how to defer your previous loans, request an "Academic Verification" on eLion or request a forbearance of your Servicer. Also, see the AES web site: www.aesSuccess.org

eBILLS

Starting for Fall 2006 ALL BILLS will be located on eLion under "Bills, tuition, etc." NO PAPER BILLS WILL BE MAILED.

"ENROLLED" STATUS AT PSU

To be enrolled, schedule your classes and then submit

- 1) Deferred Tuition Payment Plan form (Company Reimbursement) and \$25 deposit
 - 2) Stafford Loan Waiver
- OR
- 3) Pay your bill

After you have scheduled your classes, doing one of the above will make you an “enrolled” student. Doing only the scheduling of courses will not put you on the class list or grade sheet nor can enrollment reporting be done for you.